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GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

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REPORT OF THE WORKING GROUP ON INDUSTRIAL CO-OPERATIVES

JULY 1958

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CHAPTER I

INTRODUCTORY

1. Village and small scale industries have been assigned an important place in the Second Five Year Plan and Rs. 200 crores have been allocated for their development. Six All-India Boards *viz.*, the Khadi and Village Industries Board, the All-India Handicrafts Board, the Handloom Board, the Small Scale Industries Board, the Central Silk Board and the Coir Board have been established to deal with their problems, as a result of which considerable increase in production and employment has already been achieved. In order to co-ordinate the activities of these Boards, in relation to functions, policy and finance, a "Co-ordination Committee of Small Industries" has been set up in the Ministry of Commerce and Industry. This Committee, presided over by the Minister for Commerce and Industry, at its first meeting held on the 8th June 1957, decided to constitute a Working Group "to examine the question of development of industrial co-operatives during the period of the Second Plan."

Appointment

The Government of India, in its communication No. AC/-11/(2)/57-Coord dated 11th September 1957 (Appendix A), appointed the Working Group on Industrial Co-operatives. The Group consisted of the following members:

1. Shri M. R. Bhide, I. C. S. . . . . . . Chairman.
2. Shri J. C. Ryan, I. A. S. (Retd.) . . . . . Member.
3. Shri M. P. Bhargava . . . . . . ,,
4. Shri V. Subramanian, I. A. S. . . . . . ,,
5. Shri H. D. Shourie, I.A.S. . . . . . ,,
6. Shri L. C. Jain . . . . ,,
7. Shri P. M. Mathai . . . . ,,

Shri K. P. Parameshwaran was appointed as Secretary to the Working Group.

Due to increasing work in the Planning Commission, Shri M. R. Bhide found it difficult to shoulder the responsibility vested in him as Chairman of the Group. On his resignation from the Group being accepted by the Ministry of Commerce and Industry, Shri J. C. Ryan was appointed as the Chairman of the Group with effect from 21st January 1958 (Appendix 'B').

Dr. D. K. Malhotra, Deputy Secretary in the Planning Commission, Shri K. Subrahmaniyam Nayudu, I.A.S., (Retd.), Chief Officer, Rural Credit Section, State Bank of India, Bombay, and Shri M. M. Vadi, Industrial Adviser, Development Wing, Ministsy of Commerce and Industay, New Delhi were appointed as Members of the Group with effect from 6th February 1958, 17th February 1958 and 6th June 1958 respectively (Appendix 'C')

2. The following were the terms of reference given to the Working Group :—

Terms of reference

"(i) to review the progress of industrial co-operatives for village and small-scale industries;

(ii) examine the difficulties impeding the rapid progress of the formation of industrial co-operatives, including those connected with the registration and supervision of such societies;

(iii) examine the financial organisational, and marketing difficulties of industrial co-operatives ; and

(iv) recommend measures for ensuring accelerated development of industrial co-operatives with special reference to the objectives and programmes of the Second Five Year Plan."

The Working Group was authorised to undertake tours as and when necessary and to record the evidence of individuals and associations who have expert knowledge on the subject.

The Group has confined its enquiries, sutdy and recommendations, by and large, to the industries covered by the six All-India Boards.

Meetings

3. Some of the members of the Working Group met informally at New Delhi, on 17th September 1957 for drawing up a questionnaire on the points referred to in the terms of reference. The first meeting of the Working Group, held on 11th November 1957, finalised the questionnaire (Appendix 'D'). The same was issued on the 20th November, 1957 to the various State Governments, Co-operative Associations, apex banks, leading cooperators, etc.

Since then, the Working Group has held seven meetings. It visited eight States, and inspected 74 industrial co-operatives, as may be seen from details given in Appendix 'E'.

Pattern of the report

4. After giving a general description in Chapter II, of the measures taken for the promotion of cottage and small scale industries in the country, in the context of the Second Five Year Plan, we have reviewed the present position of industrial co-operatives on the basis of such data as we have been able to gather, in Chapter III of the Report. The chapters which follow deal with other difficulties, which have hindered the development of industrial cooperatives; thus, Chapter IV describes and discusses problems relating to the supply of raw materials and equipment; Chapter V deals with the provision of credit and Chapter VI with marketing facilities. Each of these chapters also contains recommendations in regard to future policy aimed at ensuring accelerated development of industrial co-operatives, which is a major item of our terms of reference. Two other matters closely related to any programme for rapid promotion of industrial co-operatives are training and administration. The problems connected with technical and co-operative training are dealt with in Chapter VII and those connected with the administrative set-up are discussed in Chapter VIII. Chapter IX deals with certain miscellaneous matters. Our recommendations are summarised in the concluding Chapter.

5. We are much indebted to all those who sent their replies to the questionnaire issued by us and those who tendered evidence and advice to us. We are grateful to the State Governments who made arrangements for our tours in their territories and rendered us every facility to study the working of the industrial units we desired. To the office-bearers of industrial co-operatives and private and public enterprises who welcomed us to their institutions and furnished us with all the information we required, our thanks are due in large measure.

Acknowl·dgements

We should also like to convey our special thanks to the Reserve Bank which was good enough to lend us the assistance of their officers for collecting information by conducting spot studies of institutions and, particularly for associating Shri Ramasubbu, Rural Credit Officer of the Agricultural Credit Department with our study tours and with the drafting of a good part of our Report. His enthusiastic labours were of considerable help to us.

We also wish to place on record our appreciation of the services rendered to the Working Group by its Secretary, Shri K. P. Parameshwaran, who bore the stress and strain of the work involved with devotion. The staff deputed to assist the Working Group also toiled hard and deserve recognition.

CHAPTER II

COTTAGE AND SMALL SCALE INDUSTRIES

1. The First Five Year Plan

1. The importance of village and small scale industries in the economy of the country and the need for their promotion as part of the general development programmes found recognition even in the First Five Year Plan and it was during this period that for the first time an effort was made on an all-India basis to deal with the difficulties and problems facing these industries. Among the measures taken in pursuance of the responsibility for promoting these industries, which was accepted by the State, were organisational improvements, provision of financial facilities, arrangements for research and training, support through State purchases, establishment of new centres of production and the pursuit of State policies aimed at supporting the decentralised sector of industries in competing with the large-scale sector. A sum of Rs. 43·68 crores was spent on the development of village and small-scale industries during the period of the First Five Year Plan. Handloom weaving and Khadi together accounted for a good part of this expenditure.

The need for developing co-operatives for village and small-scale industries with a view to providing them with appropriate organisational strength was no doubt emphasised in the First Five Year Plan ; but the actual achievement in this direction during the period was not very substantial except in respect of handloom co-operatives. This was largely because the progress of industrial co-operatives had naturally to depend on the pace at which village and small-scale industries themselves were developed. The establishment of the All-India Boards for the development of different industries did, however, assist to some extent the progress of the co-operatives in the fields of handloom, coir and, to a lesser extent, handicrafts and small-scale industries as also Khadi and village industries.

2. The Second Five Year Plan

Karve Committee

2. It was in the Second Five Year Plan that a very significant place was accorded to the development of village and small-scale industries. A provision of Rs. 200 crores for the purpose was suggested in the draft plan frame, and the Village and Small-scale Industries (Second Five Year Plan) Committee—commonly known as the Karve Committee—was appointed by the Government in 1955 to indicate the proper utilisation of this amount for the purpose of developing village and small scale industries during the Second Five Year Plan period. Among other things, the Committee was to frame its recommendations and schemes with special reference to the objective "that the production and marketing in these industries are organised, in the main, on co-operative lines". The Committee kept the organisation of industrial co-operatives as one of the basic objectives in view in its examination of village and small scale industries. In defining its basic

approach, in the examination of principles and policies and in its recommendations on the programme of development for the various industries, it emphasised, at the appropriate places, the need and importance of co-operative organisation. The primary purchase and sale societies were envisaged by the Committee to form parts of a co-operative system which would provide for the needs of all the constituent elements in the sector of village and small scale industries and which would be closely linked with the agricultural marketing and the general co-operative credit systems. The Committee also recommended that when legislation was enacted for the creation of a Co-operative Development and Warehousing Corporation, provision should be made to include within its scope the marketing of the products of village and small scale industries. In regard to individual industries, the Committee recommended the extension of co-operative organisation to a larger number of handlooms and the examination of the possibility of replacing or supplementing the rebate system by a system of guaranteed purchase of handloom cloth by Government and its sale through the agency of co-operative societies. Organisation of co-operative societes of oilmen for the purchase and storage of oil seeds and the marketing of oils was also recommended. The Committee was also of the view that, as in the case of handloom co-operatives, interest-free loans should be given to oilmen and village leather workers to enable them to become shareholders of co-operative societies. Similarly, the organisation of co-operative societies for *gur* products was considered necessary for the successful implementation of development programmes for the industry on the marketing side.

The basic approach and most of the recommendations of the Karve Committee were accepted and incorporated in the Second Five Year Plan The outlay of Rs. 200 crores was broadly distributed among the various industries as follows :—

(Rupees in crores)

	Centre	States	Total
1. Handloom			
(a) Cotton		32·00	36·50
(b) Silk & wool	2·00	2·50	
2. Industrial Estates	..	15·00	15·00
3. Small-scale industries	10·00	36·00	46·00
4. Handicrafts	3·00	9·00	12·00
5. Sericulture	1·00	4·00	5·00
6. Coir	0·30	1·40	1·70
7. Village Industries	5·00	36·80	41·80
8. Khadi	19·70	..	19·70
9. Unallocated amount from which expenditure on Ambar Khadi and Power-looms is being met	22·30	..	22·30
GRAND TOTAL	63·30	136·70	200·00

Details of the pattern of Central assistance to State Governments in respect of schemes for the promotion of cottage and small-scale industries are given in Appendix F.

3. In the Second Plan, the importance of promoting industrial co-operatives was reiterated. The establishment of supply and marketing co-operatives was suggested for almost all the village and small-scale industries. As regards producers' co-operatives, it was stated that they would have greater possibilities in some fields than in others. The desirability of fixing targets to be attained during the Plan period for industrial co-operatives was also emphasised. Further, it was pointed out that both for organising supply and marketing co-operatives and producers' co-operatives, it was essential that the Industries Departments in the States should build up efficient organisations which could reach artisans in the main urban centres and in groups of villages. It was also mentioned that if a scheme of assured market as envisaged by the Karve Committee was tried out, a net-work of well-organised industrial co-operatives for supply and marketing would have to be built up.

Organisation of co-operatives

3. The Small Scale Industries Board

4. The role of the Central Government in the sphere of the development of small-scale industries consists in co-ordinating the programmes of the different States, in offering financial assistance to them for the implementation of their schemes and in providing direct technical assistance to small-scale units. The comprehensive programme, which has been drawn up for the development of these industries is constantly reviewed at periodical meetings of the Small Scale Industries Board, which was set up by the Government of India in November, 1954, with representatives of the State Governments, Ministries of the Central Government and non-officials. The Union Minister for Industries is the Chairman of the Board. The Development Commissioner for Small Scale Industries is generally responsible for the implementation of this programme and in this role supervises, co-ordinates and controls the activities of the National Small Industries Corporation, the Regional Small Industries Service Institutes and Extension Centres. The programme drawn up for the development of these industries includes positive measures of assistance intended to offset the major handicaps of small-scale industrial units such as the lack of credit facilities, technical know-how and difficulties in marketing. As regards credit facilities, the Central Government have given loans to State Governments for disbursement to small industries under the State Aid to Industries Act or other regulations in force on concessional terms, which have been described elsewhere. For the provision of technical assistance, four Regional Small Industries Service Institutes have been set up at Delhi, Calcutta, Bombay and Madras, under which 12 major and 2 branch institutes and 56 extension centres are run. The objects of these institutions are to render technical advice and assistance to small industrial units, to train personnel in technical, economic and organisational matters and to conduct economic surveys with a view to exploring the possibilities for the development of industries in particular areas and to draw up industrial outlook reports. The institutes maintain mobile vans for the demonstration of modern techniques, machinery and production processes. Besides, designs and drawings of improved machines, model schemes, bulletins and pamphlets containing technical details of various processes, etc. are prepared at these institutes for the use of small industrialists. Testing facilities for electro-plating, chemical composition of paints, etc. are also

Constitution and functions

provided at the various institutes. Further, the services of foreign technicians have been obtained for the preparation of model schemes, etc. Apart from the technical training facilities provided at the institutes, assistance is also being given for the training of Indian technicians in industrially advanced countries.

The National Small Industries Corporation

5. The National Small Industries Corporation was set up in February, 1955 with an authorised capital of Rs. 50 lakhs out of which Rs. 20 lakhs are paid up. It has now set up four subsidiary corporations at Bombay, Calcutta, Madras and Delhi for the execution of its programmes on a decentralised basis. The main functions of the Corporation relate to the procurement of Government contracts for execution by small scale units, supply of machinery on a hire-purchase basis to small industrial units and the provision of marketing assistance for small-scale industrial products. The Corporation maintains close liaison with the Government purchase departments with a view to obtaining a good share of the Government purchases for the small-scale industrial units. As mentioned elsewhere, a list of sixteen articles to be exclusively ordered from small-scale units has been drawn up in an agreement with the Director General of Supplies and Disposals. Further, a price preference of 15% has been secured for certain products of small-scale industries *vis-a-vis* those of large-scale units. Another measure taken to increase the sales of small industrial units is to promote their development as ancillary to large units. The Corporation has been able to persuade 12 large units to place orders with small-scale industrial units for the supply of components required by them. A part from arranging to sell the products of small-scale industries in rural areas through mobile sales vans, the Corporation has started wholesale depots at certain select centres for the sale of the products of small-scale industrial units. The trade mark "Jana Sevak" has been given to the goods sold at these depots after inspection. Mention may also be made here of the fact that this Corporation was able to obtain for the small-scale units an order for the supply of 2½ lakhs pairs of shoes to Russia, through the State Trading Corporation. Another important function of the Corporation is the supply on hire purchase basis, of machinery and equipment, which the small entrepreneurs ordinarily find it difficult to obtain, due to lack of funds. Besides industrial machinery, the Corporation has also been arranging to supply sewing machines to women belonging to the low-income groups.

Industrial estates

6. An important aspect of the programme for the development of small industries relates to the construction of industrial estates, in which suitable work-shops are provided for small-scale industries together with water, power, transport and other facilities like common service equipment. The responsibility for their construction is ordinarily entrusted to the State Governments but those at Okhla and Naini were constructed and are maintained by the National Small Industries Corporation. So far, funds have been sanctioned for 54 industrial estates, out of which 12 have started functioning. It may be mentioned here that industrial estates are of two categories, the larger estates being those near big cities and urban areas involving an outlay of Rs. 20 to 30 lakhs each and the smaller estates being those costing about Rs. 2 to 3 lakhs and situated in Community Development Blocks.

7. As mentioned elsewhere, the programme for small-scale industries includes certain special facilities intended to provide encouragement for the development of co-operatives in this sphere. Firstly, 75% of the value of the share is provided as a two-year loan to the members of industrial co-operative societies. Secondly, working capital is provided to such co-operatives to the extent of 75% of the assets pledged, as a ten-year loan at 2½% interest as compared with 3% for other borrowers. Subsidy is given to meet 50% of the recurring expenses on special supervisory staff for a period of 3 years. Similarly, the National Small Industries Corporation accords concessional treatment to the co-operatives both in respect of the requirements of earnest money and the rate of interest charged under its hire-purchase scheme. From such information as is available with us, it does not appear that much progress has been made in the formation of industrial co-operatives in this part of the sector of village and small-scale industries.

Financial assistance

4. All India Handloom Board

8. The All-India Handloom Board was set up in October 1952, by the Government of India with the Textile Commissioner as its Chairman. The Board is intended to organise and develop the handloom industry and advise the Government of India on all problems relating to the development of this industry. To cope with its increasing activities, the Board has set up 5 Regional offices and 11 sub-regional offices. The Handloom Board has, with the concurrence of the Government of India, laid down certain general principles which specify the kind and extent of financial assistance that the Government of India will provide for different schemes of development. When the State Governments send up specific schemes in accordance with the general principles, the Board examines and recommends them to the Government of India for financial assistance from the Cess Fund.

Constitution and functions

9. Organisation of weavers on co-operative lines was considered by the Board the most suitable method of promoting the industry on sound lines. As against a total estimated number of 28·8 lakhs of looms, there were only 6·8 lakhs looms in the co-operative fold in October 1953; this number has been increasing steadily and stood at 11·8 lakhs at the end of December 1957. To encourage weavers to organise themselves into co-operative societies, 87½% of their contribution to share capital is given by Government as loan and the remaining 12½% has to be put in by the members themselves. As a matter of policy, the weavers in the co-operative fold only are allowed the various kinds of assistance and facilities provided by Government. This has served as an impetus for weavers to form co-operative societies. In the absence of institutional finance, the Board provided the weavers in the co-operative fold with working capital from the Cess Fund for the production and marketing of goods upto 31st March 1957. From 1st April 1957 onwardc, the funds needed for working capital of weavers' co-operatives are being provided by the Reserve Bank of India on Government guarantee through the co-operative banking system, except in special areas anp special circumstances.

Organisation of co-operatives

10. To ensure the regular supply of yarn to weavers at reasonable prices some apex weavers co-operative societies purchase yarn direct from the spinning mills. Efforts are being made to set up co-operative spinning mills with weavers and weavers co-operatives as the chief shareholders to produce and supply yarn on easy terms. Loans are sanctioned by the Government of India to State Governments for enabling them to contribute to the share capital of co-operative spinning mills. On the technical side, the handloom industry faces various problems such as those of reducing the cost of production, increasing the earning capacity of weavers and making the cloth marketable. To overcome these difficulties various types of improved appliances and techniques have been introduced. These include slays, take-up motion attachments, reeds, dobbies, jacquards, warping machines, drums and frames, yarn and cloth testing machines, press machines, drop boxes, roller temples, etc. Besides, dye houses and mobile dyeing units, pattern-making factories and finishing and calendaring plants were also set up. In addition, a system of inspection and stamping of cloth has been introduced. The Board has also set up design centres in Bombay, Madras, Banaras and Kancheepuram and a research-*cum*-training institute at Banaras.

Supply of raw material and technical improvements

11. Various measures have been adopted to promote the marketing of handloom cloth. First, Government allow a rebate of one anna in the rupee (now increased temporarily to annas two) to consumers for the purchase of handloom cloth. Secondly, the production of coloured sarees and 40 per cent of dhoties with border has been reserved for the handloom sector. Thirdly, financial assistance is being given to co-operative societies to open sales depots, to run mobile sales vans and to appoint hawkers to stimulate the sale of handloom cloth. Assistance is also given to apex societies to open depots in other States. To promote inter-State trade and the export of handloom cloth the All-India Handloom Fabrics Marketing Co-operative Society was registered in 1956. A publicity drive for popularising the handloom cloth has been launched both by the State Governments and the Board. Press advertisements, publication of a handloom journal, distribution of illustrated literature, running of showrooms and participation in exhibitions are some of the items in the publicity programme. The All-India Handloom Board has also been organising a Handloom Week every year throughout the country since 1955-56. Besides, the Board participates in almost all the important exhibitions in India and abroad.

Marketing and publicity

5. Khadi and Village Industries Commission

12. The All-India Khadi and Village Industries Board was set up in January 1953, to prepare and organise programmes for the development of Khadi and Village Industries. The functions of the Board were taken over from the 1st April 1957 by the Khadi and Village Industries Commission, a statutory body established, under the Khadi and Village Industries Commission Act, 1956. The Commission has continued the programme on the lines laid down by the Board. Funds for the development of Khadi and Village industries are placed at its disposal by Government

Constitution and functions

in two or more instalments according to requirements. Expenditure by the Commission is regulated in accordance with the pattern of financial assistance approved from time to time, by Government.

As a matter of policy, the Commission executes its programmes through State Boards wherever they have been set up under an Act of the State Legislature, through non-official registered institutions recognised by it, and through co-operative societies. In States where no statutory Boards for Khadi and Village industries have been constituted so far, as for example Uttar Pradesh, Madras and West Bengal, the Commission also utilises the agency of the State Departments of Industries. The help of the Development Commissioners in the States is availed of to integrate and execute parts of the Commission's programmes in the Community Development areas.

Traditional Khadi

13. Over the four years from 1953-54 to 1956-57, Rs. 13·36 crores were spent on various schemes for the production of khadi. Out of this, Rs. 5·38 crores were disbursed by way of grants and Rs. 7·98 crores by way of loans. The production of khadi has increased from 10·23 million sq. yards valued at Rs. 1·73 crores in 1953-54 to 38·03 million sq. yards valued at Rs. 7·29 crores in 1956-57. This increase in production was brought about by liberal financial help, *viz.*, the provision of loans for working capital, the provision of subsidies to institutions to raise their production and sales of khadi and the grant of honoraria to workers for the promotion of hand-spinning.

Sales of khadi had been promoted in various ways. A rebate of 3 annas in the rupee is allowed on retail sales of khadi. Besides, exhibitions have been held to popularise khadi. Four sales emporia have been opened at Delhi, Bombay, Madras and Calcutta. Grants have also been disbursed for the opening of new sales bhandars at other centres. All these measures have helped to increase the value of sales of khadi of all varieties from Rs. 1·19 crores in 1953-54 to Rs. 7·6 crores in 1956-57. The value of Government purchases rose, during this period, from Rs. 4·17 lakhs to Rs. 97·98 lakhs.

Ambar Charkha

14. A programme for the manufacture of khadi on the Ambar Charkha was taken up in 1956-57 on the recommendations of the Ambar Charkha Enquiry Committee and it was proposed to introduce 75,000 Ambar Charkhas during that year. In 1957-58 a programme for the introduction of 1,80,000 Ambar Charkhas was sanctioned. The progress is being reviewed from time to time and the programme is being determined from year to year.

One of the most important aspects of the Ambar Charkha programme is its employment potential. The employment created under the programme upto the end of November 1957 was :--

	1956-57 No. employed	1957-58 (upto Nov. 1957) No. employed
Spinners	45,742	96,231
Weavers	5,000	8,286
Carpenters	2,000	3,000
Others	1,000	1,000
TOTAL	53,742	108,517

15. Besides developing the khadi industry, the Khadi Commission is also charged with the responsibility of organising and developing other village industries. The industries under the purview of the Commission are :—

Village Industries

(1) Handpounding of rice,
(2) Village oil,
(3) Village leather,
(4) Cottage match,
(5) Gur and khandsari,
(6) Palm gur.
(7) Non-edible oil soap,
(8) Hand-made paper,
(9) Bee-keeping and
(10) Village pottery.

Recently, two more industries have been added to the schedule, *viz.*, (i) fibre excluding coir, (ii) village carpentry and blacksmithy. For the development of these industries, Rs. 5·49 crores were sanctioned and about Rs. 4·06 crores were disbursed over the 4 years, 1953-54 to 1956-57. Schemes for the development of these industries include training of village artisans in the use of better tools and techniques, introduction of improved tools and implements running of model production centres, organisation of co-operatives and the marketing of the products of these industries.

Intensive Area Schemes

16. A reference may also be made here to the Intensive Area Scheme of the Khadi and Village Industries Commission which aims at the integrated economic development of selected contiguous areas with a population of 20,000 to 30,000 with a view to develop village industries as an integral part of the rural economy. During the period 1954-55 to 1956-57, as many as 48 intensive areas and 33 pre-intensive areas were set up. Grants amounting to Rs. 24·17 lakhs and loans amounting to Rs. 9·32 lakhs were disbursed.

Co-operatives

17. 3,624 co-operatives were organised for Khadi and Village Industries upto 31st March 1957. Out of these, the palm gur industry alone accounts for 2,555 co-operatives. Next in importance are village oil, hand-pounding of rice and cottage match industries which have 382, 205 and 173 industrial co-operatives respectively. A statement showing the state-wise and industry-wise break-up of these industrial co-operatives is given below (page 12 and 13).

Financial Assistance.

18. Various types of financial assistance are provided by the Commission to co-operatives of Khadi and Village Industries. For example, 87½% of the share capital is provided as loan to members of co-operatives. The working capital required is also advanced, upto certain limits as a loan repayable in instalments. Further there is provision for grants and loans for recurring and non-recurring expenditure in respect of sales depots, equipment, etc.

The Khadi Commission has set up a Co-operative Advisory Committee which is engaged in preparing simplified by-laws for each type of society in each of the industries under its purview and evolving appropriate forms of application, statements of economics of industries, etc. so as to expedite the registration of societies.

Co-operative societies of Khadi and Village Industries, as on 31st March, 1957

	Khadi	Bee-keeping	Palm Gur	Leather	Hand-pounding	Gur-Khandsari	Soap	Match	Pottery	Village oil
1. Bombay . . .	30	10	23	17	58	16	11	25	22	9[illegible]
2. Ajmer	1	..	2	..	..	..	..	..	..	4
3. Bihar	3	..	25	1	31	..	..	..	..	131
4. Rajasthan . . .	4	..	15	3	7	1	..	2	2	14
5. Manipur	..	..	..	3	..	..	1	..	..	9
6. Orissa	1	4	20	6	13	5	3	..	1	1
7. Punjab	..	..	..	1	1	..	..	..	..	1
8. Mysore	28	1	..	1	4	..	..	..	..	9
9. Hyderabad . . .	14	..	..	1	10	..	2	35	3	11
10. Kutch	1	..	..	2	..	..	..	..	..	1
11. Travancore-Cochin . .	5	4	61	1	2	..	..	15	..	11
12. Delhi	1	..	..	2	..	..	..	15	7	..
13. Andhra	4	1	739	5	10	4	1	..	..	1
14. Uttar Pradesh . . .	4	..	9	..	20	9	..	20	2	6

15. Madhya Bharat	..	..	..	8	1	1	1	26	..	5
16. Madhya Pradesh	..	1	..	2	11	..	..	..	..	1
17. Bengal	1	..	53	..	13	1	..	..	..	18
18. Madras	3	3	1,600	34	12	..	..	..	..	28
19. Saurashtra	1	..	7	..	..	..	..	35	9	..
20. Coorg	..	2	..	..	..	..	..	..	..	..
21. Vindhya Pradesh	..	1	1	..	..	..	2	..	..	..
22. Assam	1	1	..	..	12	..	..	..	..	..
23. Pepsu	..	..	..	..	..	..	1	..	..	5
24. Bhopal	..	..	..	..	..	..	..	..	..	3
25. Tripura	..	..	..	..	..	..	..	..	..	3
TOTAL	102	28	2,555	87	205	38	22	173*	46	382

*Include co-operative yet to be registered.

6. All India Handicrafts Board

Constitution and functions

19. The All India Handicrafts Board was set up in November 1952 to advise the Government of India on the development of handicrafts industries and to assist the Government in the execution of schemes directly undertaken by the Central Government. The Board consists of non-official and official members including one representative each of the State Governments and has a Standing Committee.

Survey reports

20. The very first task the Board had to face was to assess the conditions and problems of handicrafts which fell in its purview*. As there were no reports or studies available on the subject, the Board undertook an all-India survey of major handicrafts industries in 1953. The survey was completed in 1955 and its recommendations considered and approved by the Central and State Governments in 1956 and provided guidance and direction to the industries as well as to Governments on the policies and programmes to be followed. The organised efforts of the Board, therefore, began only from 1956.

Marketing

21. Major attention has been given to marketing. As handicraft goods do not have sufficient local market, the Board has encouraged inter-State marketing to ensure the wide distribution of these goods. Four all-India conferences consisting of representatives of state governments, co-operatives, and industry have been convened to stimulate inter-state marketing and to draw up mutually terms of reciprocal trade. Assistance has been given to state governments and co-operative marketing organisations for setting up and running emporia and sales depots.

Design

22. The main source of strength of handicrafts lies in designs, and large number of handicrafts are in need of design assistance. The Board has set up 4 design centres in Bombay, Bangalore, Calcutta and Delhi, under its own auspices. It has also assisted the State Governments to set up design centres at Lucknow, Srinagar, Calcutta and Puri.

Export

23. Ever since its inception the Board has explored foreign markets for handicrafts. It has organised exhibitions and fairs in many foreign countries which are potential markets. During the year 1957-58, the Board participated in 11 foreign exhibitions, the more important of which were the New York World Trade Fair; the Munich Fair, West Germany; the International Homecrafts, Handicrafts and Hobbies Exhibition, London; the Folk Arts and Crafts Exhibition, Tokyo; the Special Dolls Exhibitions in Alexandria and an exhibition in Peking. More recently the Government of India have set up a Private Limited Company , *viz.*, the Indian Handicrafts Development Corporation, which will implement the policies laid down by the Board and devote special attention to developing export markets and facilitating production of exportable items in the country.

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*Includes textiles, metalware, woodwork, ceramics, stonework, toys, leather, ivory, papier-machie, horn, bone, cane, bamboo etc., incense and perfumery, flax and fibre, bangles and beads, musical instruments, conch-shell and semi-precious stones.

24. The Board has set up a Development Centre at Delhi to examine and improve the tools, techniques and processes employed by various handicrafts industries.

Technical improvements

25. The Board is maintaining a museum at Delhi where articles of rare quality and craftsmanship including some specimen of old garments, jewellery, metal work, paintings etc. are being exhibited.

Museum

26. In view of the uncertainty which surrounded the future of handicrafts till recently the atmosphere was not conducive to the growth of any significant development of co-operatives for them. But, with the expansion of internal and export markets, there is scope for the organisation and development of such co-operatives. The Board has carried out intensive surveys of existing handicrafts co-operatives to diagnose the problems confronting them in several States *viz.*, Kashmir, Delhi, Orissa and Bombay. Assistance is being provided to the State Governments to strengthen these co-operatives. The pattern of financial assistance to co-operatives is the same as in the case of the silk industry The Board has also set up a Co-operative Advisory Committee as recommended by an all-India seminar of representatives of handicrafts co-operatives, State Governments, etc. held recently in Delhi.

Co-operatives

7. Central Silk Board

27. The Government of India appointed the Central Silk Board in the year 1949, under the Central Silk Board Act of 1948, to organise and develop the silk industry in the country. The Board consists of officials and non-officials, with the Textile Commissioner as the Chairman. It has a Standing Committee to carry on its routine work and implement its decisions. The Board examines the schemes of State Governments for the development of sericulture and recommends them to the Central Government for financial assistance. These schemes relate to such aspects of the developmnt programme as preparation and supply of mulberry crafts, supply of better types of disease-free silk-worms and the setting up of training and research centres. The pattern of financial assistance from the Central Government has been liberalised since 1957-58. According to the existing pattern, the Central Government bears the full expenditure on developmental schemes and one-half of it on commercial schemes. Working capital is provided as a long-term loan. Assistance for requisition of land and construction of buildings is given on the merits of each case.

Constitution and functions

28. Apart from the schemes of the State Governments, the Board also implements its own schemes relating to research, training, propaganda and pubiicity, collection of statistics etc. There is a Central Research Station at Berhampur with its sub-section at Kalimpong in West Bengal. This institution is mainly engaged in preparing and supplying disease-free layings to sericulturists. Improving mulberry cultivations and evolving letter silk-worm races are also a part of its activities. The Board is proceeding with the establishment of a Foreign Race Seed Station at Srinagar and an All-India Training Institute in Mysore.

The schemes of the Board

As a result of the Board's activities, it may be noted, the production of indigenous raw silk maintained a steady progress during the last few years, as may be seen from the statement below :

Year	Mulberry raw silk (lbs)	Non-mulberry raw silk (lbs)
1953	18,66,311	5,95,448
1954	23,98,498	8,09,100
1955	24,30,901	9,47,536
1956	23,81,606	10,31,639

Source : Administration Report of the Ministry of Commerce and Industry for 1957-58.

Publicity & propaganda

29. The Board is maintaining a publicity organisation headed by a publicity officer. This organisation has published literature on the technical aspects of the industry in various regional languages and has brought out translations of Japanese publications. The statistical unit of the Board collects and maintains data which are helpful in evaluating progress and preparing schemes.

Raw silk and silk waste

30. The other two important problems tackled by the Board relate to the regulation of import of raw silk and export of silk waste. In order to meet a portion of the deficit in the supply of raw silk in the country, the Board continues to import raw silk through the agency of the State Trading Corporation helping, incidentally to stabilise the prices of indigenous silk also. The export of silk waste and the import of spun silk yarn are regulated by the Board in conformity with the requirements of the silk industry in the country.

Organisation of co-operatives

31. The formation of co-operatives for the sericulture industry is still in the initial stages. Apart from the Raw Silk Marketing Society at Bangalore, which has been aided with a loan of Rs. 10 lakhs from the Government of India, there are a few primary sericulture co-operative societies in the States of Mysore, Assam, Orissa and Bengal.

8. Coir Board

Constitution and functions

32. To develop the coir industry, the Government of India passed the Coir Industry Act, 1953, which provided for the establishment of a Coir Board and for the levy of a duty on the export of coir fibre, coir yarn and coir products. The Coir Board which was set up in July 1954 consists of representatives of the various sections of the industry, besides representatives of Parliament and the State Governments of the principal coconut-growing States. Besides, advising the Government of India on all matters concerning the organisation and development of the coir industry, certain specific duties were laid down for the Board, which include regulation of production, registration of spindles, licensing and promotion of exports, undertaking scientific research and improving techniques of production and organisation of the industry on co-operative lines. The Board has appointed an

Executive Committee which carries on the routine work. It has also appointed six *ad-hoc* committees to advise it on matters relating to (1) husk and fibre; (2) yarn; (3) internal marketing; (4) external marketing; (5) coir products and (6) research and statistics.

Besides providing employment for nearly 5 lakhs of persons, the importance of the industry lies in its being a good foreign exchange earner. About Rs. 9·67 crores worth of coir fibre, yarn and goods were exported in 1956-57. The U.S.A., U.K., Canada and the European continent are the principal importing countries. Its export character has, however, subjected the industry to frequent crisis because of violent and sharp fluctuations in the prices of coir and coir goods in the external markets. For instance, the price of coir yarn was Rs. 1,660/- per ton in 1950-51. It came down to Rs. 875/- per ton in 1952-53 and again went upto Rs. 1,000/- per ton in 1953-54. These fluctuations in prices have caused great hardship to the persons engaged in the industry and imparted instability to the industry as a whole . It is mainly to eliminate these crisis and to bring about stable conditions that the Coir Board was set up.

Marketing and Publicity

33. The policy of the Coir Board in regard to marketing is to strike a balance between internal and external markets, and to stabilise and expand these markets. The Board has formulated a set of rules for the registration of coir spindles and coir industrial establishments, registration of exporters and licensing of exports, licensing of internal traders, licensing of retting places etc. The Board has opened show-room-*cum*-sales depots in Delhi, Madras, Calcutta and Bombay. To increase internal consumption , coir mats and rugs are now to be supplied to all workers' quarters, prisons, Government buildings, etc. at the instance of the Ministry of Commerce and Industry. The Board, in February, 1958, has appointed two special committees —one for organisation of the Marketing section in the office of the Board and the other for co-ordination with the National Small Industries Corporation in marketing of coir goods. Further, the Board is now participating in all important fairs and exhibitions in the country and abroad. It has adopted other publicity measures like cinema slides advertisements in newspapers, wall posters etc. to popularise the products of this industry. The Board also publishes a quarterly journal named '*Coir*'.

The Central Government has approved the proposal of the Board to send a delegation to countries such as the U.S.A., Canada, the U.K., the Euorpean continent and the Middle East, to explore the possibilities of expanding the existing market, and to find out new ones. In pursuance of the decision of the Board, arrangements are being made to conduct market surveys in Rhodesia, Kenya and Tanganyaka for the marketing of coir goods in those countries.

Technical Improvements

34. Technological and scientific improvements are very much needed at all stages of coir production. Such improvements, if made, may not only put the industry on secure foundations but also increase the marketability of coir yarn and coir products. The Board has, therefore, decided to establish a Coir Research Institute near Allepey and a branch Institute at Calcutta. The work of standardization of coir and coir products has been taken on hand by the Indian Standards Institution. The Board also collects and publishes essential statistics vital to the industry.

35. Co-operatives are being organised in certain sectors of the coir industry *viz.* retting of husks (thondu), production of fibre and spinning of fibre into yarn. The largest number of co-operatives exist in Kerala where this industry is well developed. 231 primary coir co-operative societies, 25 primary *thondu* (husk) societies, 2 Mats and Mattings Co-operatives and 2 Central Coir Marketing Co-operative Societies have so far been organised in Kerala. Other States where coir co-operatives have been organised are Bombay, Madras, Orissa and Mysore. The Central Government gives financial aid only to these co-operatives through the respective State Governments.

Co-operatives

9. Development of Cottage and Small Scale Industries in Community Development Blocks.

36. While the activities of the Boards (as reviewed above) have contributed to a large extent in the promotion of village and small industries in general and industrial co-operatives in particular, the Ministry of Community Development, through their special programmes in the Community Development Blocks, have been promoting these industries in an intensive manner in these particular areas. A short review of these activities is attempted in the following paragraphs.

The industries programme in the Community Development areas is generally in conformity with the State plans as also the programmes of the all India Boards and the Khadi and Village Industries Commission. The chief object is to intensify all efforts for speedy and systematic implementation of various schemes on a co-ordinated basis with the funds allocated to State Governments by the various Boards, etc. for providing employment for the unemployed and fuller employment for the under-employed. A separate sum has been allotted for each Community Development Block under its budget for rural arts, crafts and industries. These allocations, which are in addition to the provision for cottage and small-scale industries in the Second Five Year Plan, are utilised mainly for the training of artisans for giving stipends to trainees who are deputed to technical training institutions and for assistance to industrial co-operatives for employment of supervisory personnel.

Though, due to paucity of funds, it has not been possible to start a minimum programme in this sphere as envisaged originally, it has now been accepted that two selected industries, besides the Ambar Charkha, will be started in each block where Extension Officers (Industries) are in position. The funds for this programme will come from the allocations to the Khadi and Village Industries Commission and the all-India Boards.

Twenty-six pilot projects for cottage and small-scale industries were initiated by the Ministry of Community Development in the year 1956. The programme in the pilot projects consists of *ad hoc* schemes based on the schemes of the Khadi and Village Industries Commission and the all-India Boards and a long range comprehensive programme drawn up after a survey of the areas. So far, only the former has been taken up for implementation. As on 31st December, 1957, a total expenditure of Rs. 89·87 lakhs had been incurred on these projects. Over 75000 persons had been provided with full or partial employment and about 6000 artisans had been trained in various crafts. These pilot projects have also taken up a study of a number of problems which were referred to them for examination. The

recent Annual Conference on Community Development held at Mount Abu recommended the extension of the life of pilot projects till the end of the Second Five Year Plan period.

With a view to ensure orderly growth of industries, nine small industrial estates costing about Rs. 10 lakhs each were sanctioned by the Ministry of Commerce and Industry for nine selected industrial pilot projects. Besides these, the Ministry of Commerce and Industry had earmarked 20 rural industrial estates for Community Development Blocks, each costing about Rs. 2 to Rs. 3 lakhs. These rural industrial estates have been taken up in areas where suitable conditions are existing such as availability of electricity, good communications, proximity to market and availability of entrepreneurs to start industries in such estates.

The total number of industrial co-operatives functioning in the Community Development Blocks as on 30th September, 1957, stood at 1,194 with a total member-ship of about 63,400. Out of them, in the pilot projects for cottage and small-scale industries, it is reported that 747 co-operative societies with a total membership of about 22,000 are in operation.

CHAPTER III

INDUSTRIAL CO-OPERATIVES IN INDIA : PRESENT POSITION AND ORGANISATIONAL PROBLEMS

Present position.

1. The First Five Year Plan placed considerable emphasis on the organisation of industrial co-operatives as a means of promoting village and small-scale industries. Concerted measures taken by the Central and State Governments in pursuance of this plan led to the formation of a large number of industrial co-operative societies, with the result that their total number in the country rose from 7,105 at the end of June 1951 to 15,333 at the end of June 1956. The Ministry of Commerce and Industry have computed the number of industrial co-operatives in the country as 16,746 on 30th June 1957. A statement showing the number of industrial co-operatives and their membership as on 30th June, 1956, is given state-wise in Appendix G.

It will be observed from that statement that the largest number of industrial co-operative societies was in Madras, namely 2,610. This is closely followed by Andhra, Uttar Pradesh, Bombay and Rajasthan, where there were 1,532, 1,380, 1,273 and 991 respectively.

The industry which accounts for the largest number of co-operatives in the country is the handloom industry. There were 7,883 handloom weavers co-operative societies with a membership of 8·94 lakhs. There is a concentration of these societies in Madras, Andhra, Hyderabad and Uttar Pradesh. At the end of December 1957, 11·7 lakhs out of 28·8 lakhs looms were within the co-operative fold. The value of goods produced In the co-operative fold rose from Rs. 364·4 lakhs in 1952-53 to Rs. 1,921·8 lakhs in 1955-56. During the same period, the sales rose from Rs. 768·7 lakhs to Rs. 2,095·5 lakhs.

Palm gur societies are the next in importance. They are concentrated in Madras, Andhra Pradesh and Kerala. Out of the total number of 2,422 societies, Madras accounted for 1,605 with a membership of 1·15 lakhs and Andhra for 741 with a membership of 0·56 lakhs. In these two States these societies were organised as a means of providing employment for toddy-tappers thrown out of employment on account of the introduction of prohibition. The jaggery sold by the societies in these two States alone amounted to Rs. 57·08 lakhs in 1955-56.

The tanners' and leather workers' societies are concentrated in the Punjab (367 societies with 6,065 members), Bombay (230 societies with 6,450 members), Rajasthan (138 societies with 2,922 members), Hyderabad (53 societies with 1,620 members) and Uttar Pradesh (39 societies with 760 members).

Societies for small-scale industries like the manufacture of light engineering goods, sports goods and furniture are noticed in Punjab, Delhi, West Bengal and Bombay.

Societies engaged in sericulture are concentrated in Mysore and West Bengal and those engaged in coir products are largely found in Kerala, Madras and Orissa.

Not much progress has been made in the establishment of co-operatives for the production of khadi and ambar khadi. The production of these goods is mostly done through societies registered under the Societies Registration Act. However, some progress has been made in Orissa, Andhra and Bihar, where 17, 13 and 10 co-operatives respectively have been established for the production of amber khadi. In regard to co-operative societies for village industries too, the progress has been meagre ; but in the States of Bihar, Uttar Pradesh, Bombay and Madras concentrated efforts are beginning to bear fruit.

Forest Labourers' Co-operative Societies have been working successfully in Bombay State and there are about 700 Labour Contract Societies in Punjab at present.

1. Varieties of Industrial Co-operative Societies

2. Reviewing the working of industrial co-operatives in the country we observe that they are of two varieties : (1) production societies producing goods, and (2) service societies helping their members in the supply of raw materials and equipment, the provision of technical aid and the marketing of finished products. In the production societies, goods are produced and sold on the society's account, profit or loss being borne by the society. In the service society, goods are produced and sold on the members account, profit or loss being borne by him.

Production society

3. Production societies may be of two kinds : (1) those in which the productive activity is carried on in the homes of their members and (2) those in which that activity is performed in a factory, *karkhana* or workspot. In most weavers' co-operative societies in India, the production activity is carried on by members on looms in their own houses. The societies supply them the yarn required for the manufacture of cloth, pay them wages and take back the finished goods for sale. Societies for the manufacture of parts of motor cars, cycles or sewing machines and societies for the manufacture of sports' goods, hosiery, etc. usually produce the goods in a factory, where machinery and other equipment are installed. The members work in the factory during prescribed hours under the daily or piece-wage system, convert the raw material supplied into finished products and leave them with the society for sale. It is, however, possible, for instance, for the handloom industry to be carried on in a co-operative factory as it is possible for metal goods to be made in the homes of their members. Broadly speaking, the factory type of a production society is best suited for industries which require heavy or expensive machinery, while cottage industries which need only simple equipment are best conducted in the members own homes. It is also possible for a production society to be organised on a federal basis for assembling the parts supplied by affiliated societies in addition to producing some parts itself.

Service society

4. A service society may be either a primary society or a federal society. If it is a primary society consisting of individual members producing goods in their own premises, it is restricted to a small area like a single town or a single or group of villages. It sells or hires to them raw materials, tools, etc. and also markets their finished products. If it is a federal society consisting of primary societies as its members, it has a larger jurisdiction and takes on additional functions such as the provision of technical aid, motor trucks for transport, common facilities such as electro-plating or assembling of parts, and the conduct of sales depots. Of course, even a primary society may take up the provision of these extra facilities, if it is financially strong enough to do so.

5. In order that an industrial society may be truly co-operative in character, it should conform to the following principles and methods. First, it should be owned and controlled by its beneficiaries *i.e.*, its shares should be held by the workers who should also elect its board of management from among themselves. This will render employer and employee identical in the society. Secondly, every member should have an equal voice in the administration of the society, no matter whether the extent of his share-holding is large or small. In other words, 'one man, one vote' should be the rule. Thirdly, although each member should be paid according to his abilities and efficiency, he should not have a share in the profits of the society more than what he contributes to it. Thus, even though the manager, the accountant, the clerk, the chemist, the foreman and the worker may be put on different scales of pay and even if some of them are paid piece-wages, when the annual net profits of the society are distributed, after setting apart reserves for the society and after declaring a dividend on shares subject to a fair limit, the rest of the profits should be divided among the members as bonus in proportion to the services rendered by each to the society. This bonus is calculated on the wages earned by each member in a production society and on the extent of business done by each member in a service society *i.e.*, on the value of sales or purchases made to or from the society.

Co-operative character of industrial co-operatives

6. Experience in the organisation and working of industrial co-operative societies, however, has shown that a strict adherence to these principles is difficult to achieve. The first industrial co-operatives founded by the Christian Socialists failed because they consisted of workers whose standard of education was low, who could not provide good leadership of their own to hold them together in common discipline, and who could not appreciate that the society was their own and that work badly done would affect them eventually. Some of the industrial co-operatives in India too have perished on the same rocks. Patient and persistent education of the members in the co-operative way of running an industry is necessary to overcome these dangers and we deal with this in another chapter. But such education is a long and slow process, and we in India, with our programmes for the rapid industrialisation of the country on a co-operative basis, can scarcely afford to wait until workers are trained in the principles of co-operation and methods of doing business. Some adjustments are necessary at least for a time, and these are indicated at appropriate places in the following paragraphs.

Need for relaxation of co-operative principles

2. MEMBERSHIP

7. The members of a co-operative production society should be enrolled with reference to the skill they possess in the manufacture of the products the society proposes to produce. They should be drawn from a compact area such as a town or a village or a group of villages. If the area is too wide, they may not be able to reach the headquarters of the society whenever necessary and particularly to attend the meetings of the general body of the society and take interest in its affairs. Where the production activities are conducted in a factory it is imperative that the members should live as near as possible to the work-spot so that their attendance at the factory during working hours does not suffer.

Skilled workers residing in a compact area

8. It is important that the members should have a community of economic interest in a production society. For instance, leather-workers and potters cannot be grouped under the same society. Not only will they not understand or appreciate each other's needs but they are not likely to work together for their common benefit. Should profits arise on pottery and losses accrue on leather goods or *vice-versa*, the members will murmur against the losses of one industry being made good by the other. In some cases, workers in allied industries such as tanners and shoemakers, hand-spinners and weavers have been enrolled in one composite society. Such composite societies may succeed if the raw material produced has no better market outside the society or if certain aids available to it will be denied if the industries are not so combined. We recommend that normally there ought to be a separate society for each industry or craft. If, in any case, two or more industries or craft are to be combined in one society, it should be carefully examined whether the society will have a community of interest and scope for success.

Community of economic interest

9. The statutory minimum for the registration of a society in most states is 10 applicants. In a part of Kerala, it is 25, while in Assam and Bengal it is 15. As a working arrangement, a handloom weavers society generally requires 50 looms for operating as an economic unit. It is no doubt important that an industrial co-operative society should not be set up if it cannot be an economic unit ; but we do not tnink that the statutory minimum should, therefore, be enhanced ; for, in some places it may be difficult to group together more than 10 applicants for an industry like ivory-carving or bead-making or jewellory which can be an economic unit with even 10 members.

Minimum number

10. In some industrial co-operatives, the applicants may not be able to provide leadership, capital, managerial ability or outside influence necessary for their success. In such cases, it is desirable that a few non-workers should be admitted into the society as sympathisers ; but their number should be restricted to 10 per cent of the total number of members and care should be taken that the sympathisers are genuinely interested in the workers' welfare.

Sympathiser members

11. For organising industrial co-operatives for the manufacture of light engineering goods such as hand-tools or components and accessories for motor cars, cycles, sewing-machines, etc., it is not easy to find unattached skilled workers concentrated in compact areas. Even those undergoing training in the Production-cum-Training Centres run by Government are, in most cases, drawn from different villages or towns, and cannot be grouped under a co-operative. But there are entrepreneurs who run these industries with skilled workers and who are anxious to convert their proprietory concerns into a co-operative society either because they hope to establish their unit on a firmer footing or improve its prospects with the various aids offered by Government to co-operatives or because they are interested in promoting social welfare. We see no objection to such conversion provided the entrepreneur and the workers join the proposed society as members and the entrepreneur is not given any special privileges in the society and is entitled only one vote and to reasonable remuneration and bonus for services rendered. Some of the witnesses who

Entrepreneurs in production societies

appeared before us referred to instances of the entrepreneur's greed for personal profit gradually leading the society into dubious ways and ending in exploitation of the workers. But we have also seen societies where the workers have benefited by the inclusion of the entrepreneur in the society and where the exclusion of the entrepreneur might lead to the liquidation of the society and throw the workers out of employment. There are advantages in converting going concern into a co-operative society. Land, building, equipment, skilled workers and experience, and above all "good-will" are all available in such cases and it would not be desirable to object to such conversion on the apprehension that the entrepreneur may run the society for his own benefit. With adequate care it may be possible to distinguish between a selfish entrepreneur and one who means well by the workers, and, in any case, sufficient precaution can be taken under the by-laws of the society and by means of supervision that the society is run on truly co-operative lines. In particular, the Registrar should, before registration, educate the member workers in their rights in the society so that their interests are not subordinated to those of the entrepreneur. If, in spite of all this, the society is exploited by the entrepreneur, there are ample powers available to the Registrar under the Co-operative Societies' Act to intervene. We consider that when we are planning a nation-wide development of industries on a co-operative basis, a few failure here and there brought about by selfish entrepreneurs should not deter us from adopting a fruitful method of promoting industrial co-operatives. The entrepreneurs can, if necessary, be eliminated from industrial co-operatives in due course of time just as individual members have been eliminated from many co-operative financing banks and master-weavers have been dropped out of many weavers co-operative societies.

Entrepreneurs in service societies

12. If entrepreneurs can join co-operative production societies as members we have been asked whether co-operative service societies may also be established for entrepreneurs. In fact, in one State, we came across a service co-operative society consisting of 42 individual proprietors, partnership firms and joint stock companies. Each of these units employed not less than 50 workers with power and the joint stock companies employed 400 to 600 workers. The Society's objects were to help the members to purchase their raw materials and other requirements, to find a market for their finished goods, and to obtain technical aid, permits, loans, subsidies, etc. from Government. Its management consisted of 13 directors of whom 9 were from among members. The Director of Industries was its *ex-officio* Chairman. We consider that this society should not have been registered under the Co-operative Societies Act because it is not in accordance with co-operative principles It is an example of a profit-seeking organisation endeavouring to increase the proprietors' profits further, probably at the expense of the workers and defeating the purpose of State policy in this matter. It should have been registered under the Companies' Law, in which case, exemptions from income-tax, stamp fees, etc. which have been given to co-operatives for the benefit to of men of limited means, would not have been available to it. There are a few more cases of such societies which have been brought to our notice in other States and which also should not have been registered as co-operatives. There may, however, be cases of small entrepreneurs employing a few workers unable to establish themselves on a stable footing without joining in together in a service co-operative society. We have no objection to the registration of a society in such a case provided (1) that the workers employed by each entrepreneur should also be admitted as members of that service society, and (2) that no entrepreneur member of that society should

employ more than 10 workers—a number without which a co-operative production society cannot be registered for that unit.

Associate members

13. When a production society has been registered and commences work a need may arise to employ additional workers to complete the execution of an order within the contracted period. These workers cannot be enrolled as members as it may not be feasible to provide them with further work for lack of fresh orders. They may, therefore, be enrolled as "associate members" with a nominal share each but with no other rights in the society than that for wages and bonus on wages. They can be employed again as workers when work is available; and, as the society develops its volume of business they can be enrolled as full-fledged members. Apprentices, including minors may also be enrolled as associates so that they learn the work and after that become eligible for membership. Suitable provision may be made for this purpose in the co-operative law in force in each State.

Nominal members

14. Similarly, when purchases of raw materials and sales of manufactured products increase in a production or service society, it may be necessary to bring into the society, its suppliers and customers so as to enter into contracts with them which are enforceable under the cheap and summary arbitration procedure permissible to co-operative societies. They may be admitted as "nominal members" with nominal shares but without any rights in the society

3. *Share Capital*

Authorised share capital

15. Just as a private individual cannot set up any business without some capital of his own an industrial co-operative society too needs some capital to start with. It is usually allowed to borrow 8 times its share capital (and Reserve Fund when it has built it up after a year or more of profitable business) in the form of deposits and loans. Banks usually restrict their loans to 3 to 5 times the share capital and Reserve Fund. On the expectation of deposits and loans, the society has to assess its requirements of share capital for the industry it proposes to set up and determine the size of its authorised share capital. If the whole of it can be collected from workers it will be excellent.

State-aid to members to take shares in a production society

16. But most workers do not have ready cash to invest as shares. It has, therefore, been suggested to us that the State should help in this matter by entering into partnership with the workers and subscribing to the share capital of the society in the same way as they are doing in large-sized agricultural credit societies. But while agriculturists are able to contribute 50 per cent or even more of the share capital of the credit society and the Government contribute only the balance, in an industrial co-operative society the workers may be able to contribute very little and the State will have to put in the bulk of the share capital. This will make the society more a State organisation than an organisation of workers. Moreover, the workers are generally a more mobile class of people than agriculturists and it is advisable that their stake in the society should be sufficiently large to make them cling to the society. It was in consideration of this that the Handloom Board suggested to the State Governments that they might give loans out of the Cess Fund direct to handloom weavers who wished to take shares in a co-operative society. The loan is paid to the society when a member pays 12½ per cent of his share capital to the society and agrees to

let it recover the loan for Government in 2 years by monthly deductions on his wages. We recommend that this procedure may be adopted by Government in respect of all industrial co-operative societies.

State-aid to the Reserve Fund

17. Some industrial co-operative societies such as those which require lands, buildings or heavy equipment, may, for the successful conduct of their business, need more capital of their own than what can be raised as share capital from members contributed out of their own savings or with loans from Government. In such cases, the State Government have, in some States, contributed to the reserve fund of the society the required amount as foundation money. The contribution is given as a gift to the society; the only condition imposed is that if the society should be liquidated and if any surplus remains out of its funds at the conclusion of the liquidation proceedings, it should be transferred to Government in full or part reimbursement of their contribution instead of being given to some object of public utility in the area of the society. We recommend this procedure also for adoption by Governments.

State partnership in federal societies

When regional or State federations of industrial co-operative societies are formed, the State may contribute to their share capital in its own name to impart strength to it. The Government of India have, through the Handloom Board, provided the State Governments with loans for contributing to the share capital of appex weavers' co-operative societies and we commend this example to the other Boards dealing with cottage and small-scale industries.

It should also be possible for an apex industrial society to receive a grant from the Government towards contribution to its reserve fund.

4. *Management*

Composition of the board of directors of a production society

18. The Board of Directors of an industrial co-operative society should ordinarily be elected by its members from among themselves, and the President should be elected by the directors from among themselves. Separate representation may be given on the Board to workers and sympathisers; in the latter case, not more than about 25 per cent of the total number of directors may be allowed. Thus, there may be two sympathisers in a Board of 5 directors and three in a Board of 9 directors. We have seen some flourishing industrial co-operative societies where the entire Board of Directors has been nominated by the Registrar with a majority of workers and a few gentelmen carefully selected on account of their experience in the particular industry, their contacts with the trade in that industry or their general ability and influence. We, however, feel that it would not be proper to let the Registrar of Co-operative Societies nominate more than a third of the Board of Directors, including the President of the society, if necessary, for the first three years. In exceptional cases, as, for instance, in societies formed for providing employment for Ex-servicemen or refugees, where the members constitute a heterogeneous group, the entire Board may have to be nominated for the first three years. The special sanction of Government should be obtained for such nomination.

Manager and staff

19. The Board of Directors of the society should be assisted by a competent manager and adequate staff. The business of a co-operative industrial society is not so simple as that of a co-operative credit society, it is even more complicated than the business of a consumers' stores or a marketing society. It involves very careful accounting, particularly cost-accounting. It requires a constant study of the market and ability to secure orders, control the workers, and execute orders to satisfaction. We have seen some societies which were fortunate to secure experienced men from private business institutions to function as managers. But as private business pays better than co-operative enterprises it is difficult to secure experienced hands of this variety for a co-operative in many cases. Where with the help of a Government subsidy the services of experienced men can be secured from business institutions. Government should provide the subsidy for a limited period on a sliding scale.

In some States, the practice has developed of deputing from the Co-operative Department inspectors, senior inspectors and Assistant Registrars, who have had experience of the working of different kinds of societies, as the managers of industrial co-operatives. They are lent on foreign service terms to work under the direction and control of the Board of Directors for a period of three years at a time. Where the society cannot afford to pay for the services of such a manager, he is deputed initially free of cost to the society but within a specified period the society has to bear his entire cost on a graduated scale. This practice has promoted the success of many industrial co-operative societies in these States and we recommend it for adoption by other States. We also recommend that during the period of deputation of the public servant no contribution towards pension and leave-salary should be collected from the society. Nor should the officer be transferred by the Department to other work during the period of his deputation. Further, during the period when a departmental officer is on loan with the society, it should train someone to take his place in due course.

Membership of staff and manager

20. In some industrial co-operative societies, the manager and other administrative staff are not admitted to membership while, in others, all of them are members entitled to all privileges including bonus on wages. We consider that the administrative staff of an industrial co-operative are as much responsible for the business prospects of the society as the workers themselves. Every one of them may, therefore, be admitted as members.

5. *Business*

Choice of business

21. The success of an Industrial Co-operative Production Society depends a great deal on the choice of the line of business it undertakes. It is often indicated that the development works undertaken in pursuance of the Second Five-Year Plan will improve the income of people and give rise to an increased demand for consumer goods, and, it is therefore suggested, that industrial co-operatives should be set up in large numbers for the production of these consumer goods. While It is true that an improvement in the income of the people will increase their purchasing power, it is observed that they spend the increased incomes largely on essentials such as food and clothing. Expenditure on other types of consumer goods has not expanded in any large measure. The demand for luxury articles remains almost constant except for some

expansion in tourist centres and the bigger towns. Therefore, it is necessary that a proper investigation should be made of the chances for success of each industry. In this matter a lead has already been given by the Ministry of Commerce and Industry which has organised economic surveys on a regionwise and industrywise basis and published useful reports on small-scale industries. A list of these survey-reports is given in appendix H. The four Regional Small Industries' Service Institutes have publised the economics of several industries that can be organisd on a small-scale. A list of these booklets is given as Appendix I.

Tests for registering a society

22. While these publications indicate areas where and the extent to which small-scale industries can be organised as also what would constitute an economic unit for any particular industry, an industrial co-operative society cannot, as a business concern, be registered without an on-the-spot study of its prospects for success. We have already indicated that skilled workers residing in a compact area are necessary for forming an industrial co-operative production society. Where they are available, the on-the-spot study should find out :

(1) the market for the commodity to be produced, its distance, its trade practices, the prices prevailing there and the prospects for their rise or fall;

(2) the availability of the raw materials needed in the volume required and their costs;

(3) the transport facilities available to transport the raw materials to the society and its finished products to the market and the transport charges therefor ;

(4) the financial requirements of the industry and the resources that may be available to it;

(5) the cost of production per unit of the article to be produced, after providing for the costs of raw material used, the wages paid and the overhead charges; and,

(6) the price at which the article can be sold at the ascertained market and the margin of profit it will give per unit;

(7) performance of other units of the same industry, if any, in the neighbourhood

(8) Then, the turnover per month should be estimated and the gross profits expected should be calculated and it should be examined whether there will be adequate net profits for the society per annum to enable it to set apart reserves and declare a dividend of at least 3 per cent on shares and a bonus of at least 3 per cent on wages after paying off instalments due on medium-term or long-term loans, interest charges on all loans and rates and taxes, and providing for depreciation.

If the on-the-spot study reveals that although the net profits may not amount to so much as indicated in item (8) above in the initial years, they may attain that standard in about four years, the society can be considered to be sound business proposition and registered. But if the study should reveal that the society will not pay its way for many years, it should not be registered; for, if it is registered it will be eating up its capital year by year and the members will run the risk of losing the share capital they have invested

Liberalisation of these tests for certain industries.

23. While the above test can be applied to most small-scale industries, there are certain other industries which are being promoted in the country from the point of view of providing employment to the unemployed or under-employed *e.g.* village industries such as the Khadi Industry, the hand-pounding of rice, the manufacture of hand-made paper, etc. There are also the handloom industry and the coir industry which are supported with a view to avoid lakhs of handloom weavers and coir-workers from being thrown out of their jobs. The sale-ability of the products of these industries is ensured by granting such subsidies as the following :

(*i*) Khadi weaving : 19 nP. per rupee

(*ii*) Hand-loom weaving : 12 nP. per rupee

(*iii*) Oil Ghani Industry : Rs. 2·50 per maund

In these cases, the on-the-spot study should take these subsidies into account in calculating the cost of production per unit and in determining the profit per unit and per year. But even in their case, it will not be proper to register an industrial co-operative if, year after year, the society will not pay its way in spite of the subsidies, for, it will then be dipping its hands into the share capital of the members and eventually wiping it out.

Promising lines of business to industrial co-operatives.

24. One of the promising lines of development in our country now is in the direction of manufacturing light engineering goods, electrical goods, and goods needed by the building industry. When the three steel plants at Bhilai, Rourkela and Durgapur go into production in 1960-61, the present stringent position in regard to iron and steel will be considerably eased. The hydro-electric schemes which might be completed by 1960-61 at Bhakra, Hirakud, Koyna, Chambal and Rihand will increase the supply of electricity and create a demand in the areas served by these schemes not only for electric pumps for agriculture but also for electrical goods such as lights, fans, poles, cables, etc. The Plan for housing and the multiplication of public and private office buildings will increase the demand for doors, windows, furniture, bolts, hooks, locks etc. etc. which can provide a prosperous business for industrial co-operatives. We are, therefore, of the opinion that the Departments of Industries and Co-operation should study the technical and commercial aspects of the production of selected items in these lines of industry, and take steps to organise industrial co-operatives for the production of those items which offer prospects of business success. We further recommend that, in order to give an impetus to the production of these items by industrial co-operatives, the Central and State Governments might secure large orders from the Railways and other State industrial enterprises and take steps for their being executed by industrial co-operatives according to specifications under competent supervision. A few model schemes drawn up for industrial co-operatives in certain select lines which have been drawn up by one of our members, with the assistance of officers of the Regional Small Industries Service Institutes have been reproduced in Appendix J, for purposes of illustration.

25. By making this recommendation we do not mean to suggest that industrial Co-operatives for other lines of business should not be encouraged.

Other varieties of industrial co-operatives should also be encouraged.

Labour contract societies which fell trees in the forest for fuel or build roads and buildings, tanning societies, leather-workers societies, weavers societies, societies for village industries, etc. fill a need. Such of these societies as exist should be supported and more such societies should be organised wherever there is a demand and the prospects of success are good. They should also be given all the aids we recommend in this report.

6. *Borrowings*

26. Like any other industrial enterprise, an industrial co-operative society has to borrow funds for the purchase of equipment and raw materials, for the payment of wages and salaries and for holding goods until they are sold. But it would be unwise on its part to borrow more funds than it can repay or employ profitably. Hence, its by-laws prescribe a maximum limit for its borrowings from banks and others. This limit is usually eight times its paid-up share capital and reserve fund as is the general practice in any other kind of society with limited liability. A relaxation of this standard is likely to lead to over-trading and losses. We feel that the help we have recommended to enable members to take additional shares in the society and the contribution by the State to its reserve fund recommended by us will give it adequate owned funds on the basis of which it can borrow upto its needs. Further, loans given on the pledge of raw materials and finished products may be excluded from the maximum limit of eight times.

7. *Profits*

27. The profits of an industrial co-operative society are declared after its annual audit. Out of its net profits every industrial co-operative society has usually to set apart a sum not being less than 25 per cent of the profits to a reserve fund and credit such portion of the profits as may be prescribed by Government to the co-operative Education Fund, if any, established in the State. Out of the balance, dividend may be declared on the share capital held by the members and bonus may be given which, in a production society will be given on the wages or salaries paid to the members during the year and in a service society will be given on the value of goods purchased or sold through the society. Most states have prescribed a limit of 6 1/4 per cent for dividend on paid-up share capital which is the rate in most other co-operative societies. In Madras, the limit on bonus was fixed at an amount which together with the dividend should not exceed 12 per cent of the paid-up share capital. It is now proposed to raise this limit to 40 per cent. We support this proposal as it will reward members generously for services rendered to the society and keep them loyal to the society. Any further enhancement, however, would be undesirable as it may give rise to profit-seeking tendencies among members and prevent contributions to such purposes as the Common Good Fund which will be used for promoting education, sanitation, medical relief, etc., or a Replacement Fund with the aid of which worn-out equipment of the society can be replaced.

28. We have come across instances where the working of industrial co-operatives has been considerably hampered by members joining trade unions and going on strikes. In a production society where workers themselves are their employers, they have none but themselves to bargain with and the proper place to ventilate

Responsibilities of members to their societies.

their grievances, if any, is the general body of members. It is open to the general body to consider the grievances or complaints and to redress them. It is necessary to educate members in the correct appreciation of their relationship with the society and their rights and duties. To put it briefly, a co-operative production society is a self-governing workshop. Worker-members ought to govern their workshop instead of forming a labour union of their own or joining a labour union consisting of workers or other industrial concerns. They should not seek outside interference but exercise their own powers over the workshop.

Model by-law.

29. Model by-laws as drafted by the Co-operative Law Committee for industrial co-operative production societies and industrial co-operative service societies are reproduced in the Appendices K and L. The revisions required in the light of our recommendations are separately indicated.

Emphasis on co-operative organisation of cottage and small scale industries.

30. We have recommended, at various places in this Chapter, several types of assistance to industrial co-operative societies in the sector of cottage and small-scale industries. We expect that these aids will stimulate the formation of a large number of co-operative societies in this sphere and also help in the conversion of industrial units, which at present function otherwise than on a co-operative basis into co-operative societies. This should be welcomed and encouraged, care being taken to see that the societies which are formed conform to co-operative principles. We would further urge that the different types of assistance now being offered to cottage and small-scale industries by Government should be channelled, in an increasing measure, through co-operative societies.

Apex industrial co-operative societies.

We now proceed to review the existing structure for industrial co-operatives at the apex level and examine the ways and means of establishing a sound apex organisation in each state. The table given below shows the number of industrial apex societies of different categories in the various states :

STATEMENT SHOWING THE NUMBER OF APEX INDUSTRIAL SOCIETIES IN THE COUNTRY

Name of the State	Weavers' Apex Societies	Palm Gur Apex Societies	Other Industrial Apex Societies	District Industrial Associations	Total	Remarks
1	2	3	4	5	6	7
1. Andhra Pradesh .	1	..	1	..	2	
2. Assam . . .	1	..	..	..	1	
3. Bihar	1	1	3	..	5	
4. Bombay . .	1	..	1	22	24	

1	2	3	4	5	6	7
5. Delhi	..	..	..	..	..	
6. Himachal Pradesh	..	..	..	..	..	
7. Manipur	1	..	1*	..	2	*Regional Coop. Ghani Associations.
8. Madhya Pradesh	4	..	..	..	4	
9. Mysore	3	..	..	4	7	
10. Kerala	3*	..	..	..	3	*Regional society.
11. Orissa	1	..	..	..	1	
12. Pondicherry	..	..	..	..	..	
13. Rajasthan	1	..	1*	..	2	*Tel-Ghani. Apex society.
14. Tripura	..	..	..	..	..	
15. Uttar Pradesh	..	..	1	..	1	
16. W. Bengal	1	1	2*	..	4	*Apex bodies for silk and Ghani oil.
17. Madras	1	1* & 5†	..	..	7	*State Federation. †Marketing Federations.
18. †Punjab	1 (Punjab) & 2* (Pepsu)	..	9 (Punjab) & 2** (Pepsu)	..	10 (Punjab) & 4 (Pepsu)	*Iron & Cycle Parts Ind. Union. **Leather Ind. Union.
19. †Jammu & Kashmir	..	..	1	..	1	
TOTAL	22	8	22	26	78	

†Source : Replies received from the State Government to the Questionnaire issued by the Working Group, except for the figures for Punjab and Jammu and Kashmir which are based on the Administration Reports of the Registrar of Co-operative Societies of these States.

As at the end of June, 1956, there were 22 apex weavers' societies operating in almost all the States. Apex organisations for palm gur societies were also established in Bihar and Madras. Federations for other industrial co-operatives existed only in Andhra Pradesh (in the Telengana Area), Bihar Rajasthan, West Bengal, Punjab and Jammu & Kashmir. Of these, two were exclusively for *tel ghani* societies. In Bombay a common apex society serves weavers' societies as well as other industrial co-operatives. District industrial co-operative federations were functioning in a few States, including 5 marketing co-operative societies in Madras, to which primary palm gur

societies were affiliated. The most notable of these institutions are the district industrial co-operative associations in the Bombay State, some of which have been functioning satisfactorily. The object of all these federal co-operative societies is to facilitate the operations of affiliated industrial societies by providing them with raw material and equipment and helping them in marketing their finished products.

In the country, as a whole, it would seem that, by and large, the needs of industrial societies other than those of weavers for an apex institution have not generally been met adequately. Some of the factors, which have hampered these apex or regional institutions in their working, relate to inadequacy of borrowing power and financial resources, insufficient volume of business, excessive overheads, absence of trained and competent personnel for management and halting support from the State.

In order to suggest an appropriate organisational set-up for industrial societies at the apex level, it seems to us that it will be useful to review the main features of two schemes which have come to our notice. One of them is in operation and the other has only recently been sanctioned by Government. Though the two organisations are not co-operative in character, they bring out in relief what, in our opinion, well organised marketing can and should achieve.

10. Central Engineering Organisation

31. When we were at Calcutta, we visited the Central Engineering Organisation established by the Government of West Bengal and were much impressed with its objects and method of work. This Organisation has enrolled 40 small engineering firms at Howrah as its affiliates. On an average each of them employs 20 to 25 workers, the maximum in any case not exceeding 48 workers. The Organisation obtains orders on tenders from the, Government, the Railways and large-sized industrial units such as Jessops and distributes them among the constituent firms of which 20 units are now actively collaborating with the Organisation. The Organisation also obtains the raw materials necessary for the orders it has secured and distributes them among the units which contract with it to manufacture the goods. I provides common service facilities such as (i) a drawing office, (ii) a centralised tool room, (iii) a heat-treatment department and (iv) certain specialised machinery set up in its own premises. It also provides technical advice with the help of competent technicians. The units work on the order given to them in their own workshops availing themselves of the common facilities provided by the Central Organization whenever necessary. So far, orders worth Rs. 9 lakhs have been secured by the Organisation and distributed among the 20 active industrial units. Of these, orders to the tune of Rs. 7½ lakhs have been distributed among the various firms and goods worth Rs. 2½ lakhs have been manufactured and delivered.

The Organization calculated its gross profit at between 15 to 20 per cent of the value of the orders handled by it. From this amount, it deducts (i) its overheads (representing its management, distribution and selling expenses) calculated at 2 annas per man-hour of work involved in the execution of the orders and (ii) interest on working capital given in the form of advances of raw material to constituent units. The resulting balance of profit is struck once a year and, of this, 75 per cent is distributed among the member units and 25 per cent is retained as a reserve.

The main benefits derived by the small-scale industrial units affiliated to the Organization are the following :—

(1) While, previously, orders from large-scale units either did not reach the small units or reached them through two or three intermediaries who kept their own margins, under the new arrangement, orders from large units are obtained by the Central Engineering Organization and distributed among the small industrial units.

(2) The small industrial units are saved the trouble of finding the raw materials which are in short supply.

(3) The units receive 75 per cent of the net profits derived by the Organization.

(4) Common service facilities are made available to the small industrial units and, therefore, there is a chance of improving the quality under the guidance of the technical staff of the Organization. The charges for the use of these facilities are nominal.

(5) Employment opportunities have been improved on account of the orders received through the Organization.

(6) In so far as the raw material is supplied on credit to the small units for conversion into finished products which should be delivered to the Organization, the units do not have to pay cash down as in the case of purchases from controlled stockists.

(7) The Organization pays off the small units within three weeks after the execution and inspection of the stores on order even if physical delivery is delayed owing to shortage of booking space on the railways or due to want of instructions from the ordering party or due to any other transport difficulties. This is a great advantage especially in view of the fact that payments for Government purchases are invariably delayed.

The total expenditure proposed to be incurred on this scheme for the period of the Second Five-Year Plan is Rs. 72·34 lakhs distributed as shown below :

	Rs.
1956-57	21·04 lakhs
1957-58	24·9 lakhs
1958-59	12·4 lakhs
1959-60	8·8 lakhs
1960-61	5·2 lakhs
	72·34 lakhs

Initially, the organisation was to be advanced by the Central and State Governments together, (i) a sum of Rs. 14·00 lakhs for handling the sales of products of the constituent units, (ii) Rs. 3·75 lakhs for the grant of capital loans during the first year, to deserving units, for the purpose of improving their equipment and (iii) Rs. 1·42 lakhs towards non-recurring expenditure for the organisation for the first year.

There is at present no definite commitment that this Organisation will eventually be converted into a co-operative. It is still in the process of evolution and everything depends on how things take shape, although an approach

is being made towards the formation of a co-operative at a later stage. In order that the constituent units may be able to sustain the existence of this organisation which employs at present 65 members including 5 gazetted officers, it appears necessary that it should increase its membership and volume of activities.

11. Marketing Organization in Madras

32. Another scheme to which we invite attention is the one sanctioned recently in the Madras State for establishing a Marketing Organization attached to the Department of Industries. Unlike the Central Engineering Organization in West Bengal, whose area of operations is confined to a compact area in Howrah so as to serve the engineering units already functioning there, the Madras Marketing Organization is to cover the entire State of Madras and assist not only the engineering industry but also all other kinds of small-scale cottage industries belonging to the public and private sectors. But, like the West Bengal Organization, it proceeds from the marketing end and begins by setting up eleven sales emporia, one for each district except for the Nilgiris District, which will be served by the Coimbatore Emporium, and the Chingleput District which will be served by the emporium at Madras. Each emporium will be under the charge of a District Marketing Officer assisted by subordinate staff. The eleven emporia will function as sales depots for marketing the products of small-scale and cottage industries. In addition, they will organise production against assured orders by securing contracts. The Marketing Staff will also carry out market research and analysis and keep the artisans informed of market trends and opportunities. The cost of this scheme is as shown below :

	Rs.
(*i*) Non-recurring costs on 11 emporia	1,54,000
(*ii*) Recurring costs on 11 emporia	1,82,017
(*iii*) Working capital for the purchase of goods for 11 emporia	5,50,000

The Government of India have sanctioned a grant of Rs. 55,000 for the 11 emporia at the rate of Rs. 5,000 each as well as a loan of Rs. 2,77,500.

12. Co-operative Apex Marketing Society

Share capital

33. Based on the example of these two Government organizations, we recommend that every State should have a Co-operative Apex Marketing Society for industrial goods which will be both a business and a promotional body. Every industrial co-operative society in the State could be affiliated to it and each one of them should take as many shares in it as its own finances permit. The Government should also take shares in it upto three times the capital subscribed by the societies, and, in any case, not less than Rs. 10 lakhs for a State of the size and industrial prospects as Madras, Mysore, Punjab or West Bengal.

Functions

34. This apex society should discharge to following functions : (*i*) it should supply raw material and equipment to its member-societies for cash ; (*ii*) it should take over the finished products from them for sale either on consignment basis or on the outright purchase and sale system; (*iii*) it should obtain orders from Government, the Railways, large industrial firms

and commercial houses either by tender or by negotiation, and arrange for their production and delivery by the affiliated societies on a sub-contract system ; (*iv*) it should recommend loans and advances to banks for them and , if necessary, guarantee their repayment ; (*v*) it should run a publicity and research section for studying improved methods of production and sale of industrial goods and conduct demonstrations, exhibitions, etc.

Branches with godowns and sales-depots

35. In order to discharge these functions, the Apex Marketing Society should open a branch with a godown-*cum*-sales depot at the headquarters of each State as well as at the headquarters of each district in the State. Later on, it may become necessary to open such branches in suitable places even in the interior of the districts. The raw materials and equipment largely in demand from the members should be stocked in the godown for sale to them on payment of cash. The finished products of the members should be received at the sales depots, displayed in an attractive manner and sold to the public for cash. Each Godown-*cum*-sales depot should be incharge of a Branch Manager assisted by an office and a field staff. The latter should assist and supervise the execution of orders distributed to the member-societies. They should also supervise the general working of these societies by frequently checking their accounts, and examining whether their funds have been utilised properly and to the best of advantage. Further, they should take up the organisation of fresh industrial co-operatives wherever there are reasonable chances for their success.

Branch advisory committee

36. Each branch should be assisted by an Advisory Committee nominated for three years at a time by the Board of Management of the Apex Society. It should consist of three representatives from the member-societies in the district, one representative from the State Bank of India, one from the Distrtct Co-operative Bank, one from the Industrial Co-operative Bank, if any, and an officer each from the Departments for Industries and Co-opearation of the State and the Small Industries Service Institute of the Central Government.

Board of management and executive committee

37. The management of the Apex Society should vest in a Board of Management consisting of one or two representatives from the industrial co-operative societies of each district which are members of the Apex Society. It should have, in addition, three directors nominated by the State Government who should be the Registrar of Co-operative Societies, the Director of Industries and the Finance Secretary. In addition, the Director of the Small Industries Service Institute in the State, and a nominee of the National Small Industries Corporation should serve on the Board. The President of the Apex Society should be elected by the Board from among themselves. A Board of this size may not be able to meet frequently. It would suffice if it meets once in a quarter. In the interval, an Executive Committee of the Board could carry on the business of the institution meeting once in a month or more often, if necessary. This Committee should consist of the President of the society, two directors representing industrial co-operatives and two other official directors. The entire administration of the society should be carried on by the Board of

Management, the Executive Committee exercising such powers as are delegated to it by the Board. The general body of the society, consisting of one representative from every affiliated co-operative society and all the directors of the Apex Society, will be the ultimate authority of the society.

Recommending loan applications of industrial co-operatives

38. When affiliated industrial co-operatives are in need of loans for capital or working expenses the applications for loans should be made to the Branch Manager, who will depute his Inspector for for checking each loan application on the spot, with reference to need, security and repaying capacity and for offering his remarks thereon. The Branch Manager will place the application before the Advisory Committee which will take a decision as to the grant of the loan. The loan application will then be forwarded to the Bank whose representative on the Advisory Committee agreed to finance the society. It may be that the application should have to be split into short-term and medium-term application and forwarded to two different banks.

Guaranteeing loans

39. Among the loan applications approved by the Branch Advisory Committee, some may be subject to more risks than the representatives of the banks are willing to undertake and provide the funds. In that event, the lending bank will ask for a gurantee, which should be given by the Branch Manager with the approval of the Advisory Committee upto a limit for which the Board of Management of the Apex Society have given him powers. Beyond that limit, the guarantee should be given by the Board of Management themselves on the recommendation of the Advisory Committee.

Guarantee Fund

40. The guarantee thus given may not be valued by the lending bank unless the Apex Society is itself financially strong. The share capital structure of the society, which we have recommended, will not give it adequate strength for this prupose. It will enable it to borrow only upto 8 or 10 times that figure which will suffice only for its own business needs. Hence, for the purpose of giving guarantee on behalf of affiliated industrial co-operatives the apex society should be provided with a separate Guarantee Fund. We recommend that this fund should be provided, as a grant, by Government who might contribute about Rs. 10 lakhs initially and Rs. 5 lakhs during each of the next 4 years, depending upon the size of the State and the opportunities for developing industrial co-operatives available there. This guarantee fund should be invested by the Apex Society separately in trustee securities. It should not be drawn upon except with the consent of a Trustee appointed by Government from among its nominees on the Board of Management of the Apex Society. In order to prevent guarantees being given indiscriminately, it should be prescribed that the guarantee fund could be allowed to be drawn upon by the Trustee only to the extent of a percentage of the guarantee enforced against the Apex Society. This percentage will have to be as large as 75 per cent. during the first 5 years, whereafter the Government may review the situation and reduce the percentage.

Working expenses

41. The running costs of the Apex Society should be borne by the Government for the first 5 years in the case of the headquarters' establishment. As regards the branches , the costs to Government may be reduced on a sliding scale over a period of 8 years. We give in Appendix M the total estimated costs under recurring and non-recurring at the headquarters and at the 20 branches of the apex society if all of them are started together. It comes to Rs. 42 lakhs for a year. But, in actual implementation, it will be practical to appoint first the headquarters' staff and open 5 godown-*cum*-sales depots, one at the State Headquarters and 4 at select district headquarters, each covering a district or more according to the number of industrial co-operatives functioning and their prospects for increasing their business. This will cost Rs. 4·20 lakhs for the first year. Thereafter, five more godown-*cum*-sales depots could be started every year in the rest of the State until one per district is attained. The highest bill to Government will be in the 4th year out of 8 years at the end of which there will be 20 branches. Details of costs for each of the 8 years are given in Appendix M. The cost in the fourth year will be Rs. 9·60 lakhs. In the interests of speedy development, we recommend that a good part of the Government subsidy should come from the Central Government.

Profits

42. The profits of the Apex Society will be derived largely from the difference between its purchase and sale price on raw materials and equipment which it purchases and supplies to its members and on finished goods which it purchases from its members and sells to the public. Commission on sales will be an additional source of income. The annual net profits of the society may be distributed in the manner laid down in the Model-Co-operative Societies Bill published by the Co-operative Law Committee. We would, however, recommend that in the first five years 50 per cent. of the net profits and the entire dividend on Governments' share capital should go to the Reserve Fund so as to build up the strength of the institution.

State aid to the apex society

43. We are aware that in certain States, industrial co-operative apex societies already in existence are receiving various financial aids. Our object in recommending an Apex Co-operative Marketing Society of the form described above is to provide a pattern which will cure the defects and weakness which we noticed in the existing Apex Marketing Societies and set down the scale of direct financial aid that should be given by the Government. We believe that direct financial aid from Government should be devoted more towards strengthening the structure of the co-operative organization than towards providing long-term or short-term capital for it. Loans for fixed or working capital should be provided in an increasing measure by banking institutions against the organisational strength imparted to the co-operative structure by the State entering into partnership with the Apex Marketing Society and facilitating its functioning in the initial years by providing its equipment and staff. The guarantees now given by Government for promoting industrial Co-operatives should be left to an autonomous body like the Apex Marketing Soicety which would in a better position to assess the need for and the risks against the guarantee asked for by a particular industrial co-operative society, on account of its being the supervising agency and the agency through which most of the products of the society will be disposed of.

Indirect aids from Government to industrial co-operatives already available and recommended in this report—statutory, administrative and fiscal—should also be available to the apex society.

Commodity federations of industrial co-operatives

44. As regards the variety of industrial co-operative societies which may become members of the Apex Co-operative Marketing Scociety, we observe that in many States the handloom industry has an apex co-operative marketing organization of its own. As this industry has been developed on a co-operative basis for many years and as it has developed more than any other small-scale or cottage industry with the aid given by the Handloom Board out of its Cess Fund, we recommend that these Apex Societies should remain distinct. Indeed, we would go futher and suggest that where an Apex Industrial Co-operative Marketing Society is now dealing with all varieties of industries including the handloom industry , the latter should be separated as early as possible and a separate apex organization should be established for weavers co-operative societies. Similarly, the apex coir societies which now serve the primaries in Kerala State may be allowed to continue as independent institutions. Some village industries have established marketing federations at market centres *e.g.* the marketing federations for jaggery. These too may be allowed to continue. We made this recommendation because we feel that, where community of economic interest or a natural market has led to the establishment of separate federations, nothing should be done to disturb them.

Voluntary affiliations to the apex society

45. The Co-operatives of khadi and village industries and the handicrafts may not find it advantageous to join the Apex Marketing Society recommended by us. We are of the view that there should be no regimenting of industrial co-operatives into the Apex Marketing Society; but, at the same time, we recommend that every type of industrial co-operative society which wishes to join the Apex Marketing Society we have recommended should be at liberty to do so. By and large, the members of the Apex Marketing Society will be industrial co-operatives engaged in the production of capital goods , components and accessories for large-sized industries and societies which do not now have any service society of their own.

Existing federations of industrial societies

46. We recommend that, in the light of the observations made by us above and the functions which are proposed to be assigned to the apex industrial society recommended by us, review of the working of existing apex federations of industrial co-operatives may be undertaken in each State. Wherever it is found that the existing institutions are working on sound lines and may, therefore, be retained in their present form, such institutions may be allowed to continue and the aids recommended by us for the apex society may generally be extended to them. A similar review may also be undertaken in the case of the existing district or regional organisations, with a view to determining whether they can be suitably integrated with the proposed apex marketing society by affiliation.

CHAPTER IV

RAW MATERIAL AND EQUIPMENT

Supply of raw material

1. Our enquiries have disclosed that industrial co-operatives are facing great difficulties in securing raw material of the right quality, in adequate quantities and at reasonable prices. This has led in some cases to the poor quality of the goods produced, in others, to the increase in the costs of production and, in still other cases, to suspension of productive activity. This has inevitably had its repercussions on the marketing of such products as well. Primary co-operatives are generally not in a position to purchase and stock the required quantities of raw material due to paucity of working capital. Apex societies, which have in some cases, a relatively larger amount of working capital at their disposal also find it extremely difficult, if not impossible, to meet the needs of all the constituent societies. Added to these financial difficulties is the fact that certain varieties of raw material are in short supply. In these circumstances, the products turn out to be deficient in many respects, sometimes commanding a price less than the value of raw material used and the wages paid. Such experience has also resulted in a prejudice in the public mind against the products of industrial co-operatives. In the case of handloom weavers co-operatives, we notice that in some States, the apex society assists the primaries by meeting their yarn requirements. Even in such cases, their requirements are not met in full. In a majority of the States, the apex society or the federation concerned had taken up the responsibility of providing yarn to the primaries during the period of yarn control. With the lifting of control, this activity has steadily declined. At present, primary handloom weavers co-operatives are largely dependent on the open market for their yarn requirements. It may, however, be noted that here and there a few apex societies have been able to make arrangements for the purchase of yarn in bulk from the mills and supply it to the primaries, thus eliminating, to a certain extent, the margins of the intermediaries. We suggest that this activity may be taken up by apex societies in all the States and that every endeavour may be made to ensure supply of yarn at reasonable prices through wholesale purchase and economy in distribution costs. We would, however, like to sound a note of caution regarding the working of this arrangement. For example , at times when the price of yarn charged by the apex society is lower than the market rate, the primaries rush to the apex society, but when market prices are slightly lower, they ignore their apex body. Having purchased yarn at a higher price, the apex society often feels unable to reduce its prices. It is obvious that this activity can successfully be carried out by the apex society only if it is prepared to supply yarn at market prices. We recommend that the apex societies should follow the generally accepted co-operative principle of sale at market price and supply yarn to affiliated societies at the prevailing market price. Losses arising from some sales on account of this are likely to be made good by profits made on others during the year. Again, we think it is necessary for apex organisations to build up *specific* reserves to meet losses, if any, on yarn trade. Part of profits made on this business may be taken to this reserve. We consider that the establishment of co-operative spinning mills on the lines of the one established at Guntakal in

all important centres would probably ease the situation and that, towards this end, Government may actively assist State Governments with loans and grants, import licences, etc.

2. It was represented to us that, over and above the general scarcity of raw material, certain specific difficulties were experienced by small industries and indutrial co-operatives in the procurement of controlled articles such as iron and steel, cement, coal and coke, etc. Small entrepreneurs and industrial co-operatives are unable to compete with large establishments in the purchase of these controlled commodities and till recently had to buy them at exhorbitant prices. The system of allotting a special quota of iron and steel for small scale industries was introduced in 1949 and the quantity of steel allotted against these quotas is indicated below :—

	Tons.
1952-53	8,991
1953-54	9,004
1954-55	18,560
1955-56	28,964
1956-57	1,00,000
1957-58	52,700

(Source : The Small Industries Programme : A Short Review).

Small scale units except those that were registered as steel processing Industries quota holders before 1953 are dependent upon this quota for iron and steel. Our discussions with the Development Commissioner, Small Industries, and others have forcefully brought home to us that the above quota is totally inadequate to meet the current demand from small scale entrepreneurs. Industrial co-operatives are not given any special consideration in obtaining such quota. This has been a great handicap for their successful operation. We consider that a review may be made of the current allocation of iron and steel and other commodities under control as between the several sectors or agencies and that, with due regard to the increasing importance of small scale industries in our economy, their quota may be increased. We further suggest that, as an incentive towards organised effort, industrial co-operatives may be shown special consideration including preference in special circumstances.

3. We observe that the inadequacy of raw material is felt in the cases of the silk industry also. It has been estimated that the shortage of suppply in relation to demand amounts to 5 lakhs lbs. of raw silk and the import allowed by the Government have proved to be insufficient. Since January June 1955, the imports of raw silk have been canalised through Government agency and the distribution is carried out by the Central Silk Board. The following table shows the position as regards the imports during the recent years :

Period	Quantity imported
	lbs.
1955	1,97,940
January—June 1956	1,09,916
July—December 1956	1,25,671
January—June 1957	1,12,395
July—December 1957 } January—March 1958	1,09,800

(Source :- Memorandum of Central Silk Board submitted to the Tariff Commission.)

We recommend that, in order to ease the situation, the import of raw silk may be liberalised so that the level of employment in the specialised section of silk weaving industry using exclusively imported raw silk may be maintained. We have no doubt that Central and State Governments are taking active measures to expand the production of raw silk within the country and would only add that the tempo of effort in this field should deliberately be increased.

4. We recommend that the following arrangements may be made to facilitate procurement of raw material for the successful functioning of industrial co-operatives :

(*i*) Where raw material is to be imported, special licences should be issued for the purchase of such material to industrial co-operatives on a preferential basis. In case an apex body is able and willing to take up the responsibility of importing the material direct, Government should issue import licences to it direct.

(*ii*) Where raw material is in short supply and is controlled by Government, industrial co-operatives should be registered for quotas on a preferential basis and their demands met with due regard to the availability of the material in the country. The services of apex bodies should also be utilised in the distribution of controlled commodities such as iron and steel cement, etc.

(*iii*) Wherever Government has control over the release and distribution of raw material for public use, some preferential treatment in the price etc. may be given to industrial co-operatives for a prescribed period. An example, which we may indicate, is the sale of timber from Government forests for industrial co-operatives at a reduced price.

(*iv*) Industrial co-operatives should be advanced loans on a more liberal basis, commensurate with need, for the seasonal purchase of raw materials and stocking them for distribution during the off-season.

(*v*) Government may also consider the question of provision of loans and subsidies for large-sized industrial co-operatives for the construction of godowns for storage of raw material and finished goods in the same manner as they assist marketing co-operatives.

Supply of equipment

5. Lack of technical skill and use of outdated or obsolete machines have been two of the main factors standing in the way of the vigorous growth of industrial co-operatives. Sporadic efforts by entrepreneurs to obtain latest machines and to utilise them for increased and cheaper production of goods have been made since the Second World War. Non-availability of machines, the bulk of which have to be imported from foreign countries, has all along been an inhibiting factor. Added to this was the difficulty of operating and maintaining imported machines by the ordinary worker or technician. The Government of India, through its various all India Boards, have been trying to mitigate, to a certain extent, these difficulties.

6. In the case of small scale industries, the National Small Industries Corporation provides facilities for the purchase and supply of modern machinery to entrepreneurs and industrial cooperatives. The terms of this scheme are liberal when compared to the terms and conditions usually available from commercial concerns. An individual entrepreneur is required to pay about 20 per cent of the value of the machine as earnest money in

respect of general purposes machines, 25 per cent to 40 per cent in the case of special purposes machines, and 10 per cent in the case of machines whose price does not exceed Rs. 2,000. Industrial co-operatives have been given a special concession in respect of this deposit in so far as they are required to pay 5 per cent less. The balance of the price of the machine has to be paid within a period not exceeding 8 years. Interest is payable at 4½ per cent for machinery valued upto Rs. 15,000 and 6 per cent in cases where the price exceeds Rs. 15,000. Here again, industrial co-operatives are treated on a preferential basis ; the rate of interest charged is 3½ per cent and 5 per cent respectively. The scheme was introduced in March 1956. Until January, 1958, 1049 applications were accepted for the supply of 3810 machines valued at Rs. 2·83 crores.

7. The Corporation also undertakes to provide sewing machines to women or women's industrial co-operatives in the Community Project areas. So far, 2274 sewing machines have been delivered to the various distributing agencies.

8. In the: of handloom industry, grants are being sanctioned for the supply of slays with or without cloth-roller, warp beam, dobbies, healds reeds, drop boxes, roller temples, healed staves, etc. Assistance is given for the conversion of throw shuttle looms into fly shuttle looms. Grants are also given for the replacement of old looms by frame looms, and for equipping the looms with automatic take-up motion attachments. Necessary facilities for the purchase of warping machines, jacquards, warping drums, etc. are also provided.

9. The Khadi and Village Industries Commission have also instituted arrangements, as a part of their programme for the promotion of village industries, for the purchase and supply of improved tools and equipment. The Commission provides assistance in the form of the supply of equipment needed or the provision of a loan-*cum*-grant for its purchase, in respcet of the various industries within its jurisdiction such as village oil industry, bee-keeping, tanneries, soap-making from non-edible oils, paper-making by hand processes, etc. The pattern of this assistance varies from industry to industry ; thus in the case of the oil ghanis, 50 per cent of the cost is provided as grant and the balance as loan while for a cottage match factory, the grant and loan are to the extent of 75 per cent and 25 per cent respectively.

10. We consider that the existing arrangements for the supply of equipment, machinery and tools to industrial co-operatives by the various Boards should be continued and recommend the following additional facilities :

(*i*) Industrial co-operatives should be given preference in the matter of supply of machinery imported or in short supply within the country.

(*ii*) In cases where the financial resources of a co-operative society do not permit immediate payment, the All-India Board or the State Government concerned should provide the necessary funds on a medium-term or long-term basis.

(*iii*) In cases where machinery has to be imported, the apex industrial society or a primary society may be allowed to get it on a priority basis.

CHAPTER V

PROVISION OF CREDIT

Certain general considerations.

1. The provision of adequate funds for industrial co-operatives is a very-important matter. Capital is not only essential for the full utilisation of such skill, initiative and industry as an industrial co-operative possesses ; it is also needed for the society being able to use effectively such aids as Government may provide for it. We have received a number of suggestions regarding the agency which should provide the funds and have given the subject much thought. We may state at the outset that the approach to this important but somewhat complicated subject should be practical and flexible. In the context of our developing economy and of the degree and variety of resources at the disposal of different financing agencies, it seems to us that the question is not so much which agency is to be preferred as how far and in what circumstances one can, to the maximum extent possible, utilise the available resources for different needs or purposes of industrial co-operatives within the framework of business rules and practices of such financing agencies. Again, in a vast country like ours with widely differing economic and industrial conditions and degree of development, there is, we believe, considerable room for a variety of institutional arrangements.

Types of credit requirements.

2. Broadly speaking, the credit requirements of industrial-co-operative fall into two categories. The first relates to funds needed for the purchase of land, construction of work shed or factory, or the purchase of equipment and tools, etc., and may take the form of medium-term loans or long-term loans. The second represents working capital required for the purchase of raw material and payment of wages and the holding of stocks of manufactured goods until they are sold. This may normally be required for short periods extending to 12 months. As funds for working capital will frequently be drawn when needed to pay wages or purchase raw materials and will be repaid when sale proceeds come in, the most suitable financial arrangement for this purpose is the cash credit for overdraft.

3. We briefly review below the role played in the provision of credit for small scale and cottage industries by various agencies which are either at present financing industrial societies or may be considered as suitable for financing them in future, and recommend appropriate arrangements for the supply of credit to such societies.

State and Central Co-operative Banks.

4. Co-operative financing banks which are intended to finance all-co-operatives in their jurisdiction claim our first notice. On 30th June 1956, there were 24 State co-operative Banks and 478 central co-operative banks and banking

unions in the country. The main particulars in regard to their working are given below :

TABLE No. I

(Rs. in crores.)

	State co-op. banks (1)	Central co-op. banks (2)
1. Paid-up Share Capital	4·37	8·50
2. Reserve Fund and other funds .	3·28	6·65
3. Working capital	63·34	92·67
4. Deposits	36·67	55·71
5. Loans advanced to—		
(*i*) Individuals	9·76	9·44
(*ii*) Banks and societies	58·10	70·40

Detailed particulars are not available in regard to the funds advanced by the State and central co-operative banks to industrial co-operatives but such data as could be gathered are summarised below :

TABLE No. II

Outstanding loans of Central Financing Agencies to Industrial Co-operatives

(Rs. in lakhs)

Name of the State	End of year	Hand-loom	Handi-craft	Small-scale Indus-tries	Sericul-ture	Coir	Khadi and Village Industries
1	2	3	4	5	6	7	8
1. Andhra Pradesh .	1956	59·55*	N.A.	N.A.	N A.	N.A.	N.A
2. Bombay† . .	1956	13·89	..		..	13·72	—— ..
3. Madhya Pradesh .	1957	0·52	..	——	——	..	0·21
4. Rajasthan . .	1956	0·15	0·39	0·94	..	..	..
5. West Bengal . .	1956	0·52	0·10	..	..	..	0·20
6. Assam . . .	1956	..	..	1·44	..	..	..
7. Delhi . . .	1956	0·24	0·28	2·52	..	——	——
8. Himachal Pradesh .	1956	..	——	——	1·29	..	..
9. Bihar . . .	1956	0·27	..	..	..	..	2·59
10. Madras . . .	1956	196·93	..	..	..	0·09	2·52
11. Orissa . . .	1956	..	0·005	..	..	——	——
12. Uttar Pradesh .	1956	10·51	——	——	0·27		0·69
13. Jammu and Kashmir	1957	..	3·45	..	..	..	

*For the Districts of the old Andhra State only.

†Includes advances by District Industrial Banks.

N.A.—Not available.

It may be observed that industrial co-operatives have been financed, in some reasonable measure, by co-operative financing banks only in a few States such as Madras, Bombay, Orissa and Delhi. We have studied the data available and held discussions with those concerned and wish to note some features characteristic of the financing of industrial co-operatives by co-operative financing agencies.

(*i*) It is in meeting the credit requirements of handloom weavers co-operatives that co-operative banks in some States have been playing an important role both when Government money was made available on the recommendation of the All-India Handloom Board and when, as is now the case, the Reserve Bank of India has been called upon to undertake the responsibility of financing co-operatively organised handloom industry.

(*ii*) In Bombay, the services of co-operative central banks have also been employed for routing Government funds intended for industrial societies other than weavers societies subject to the following terms and conditions :

(*a*) a certain amount out of the funds allotted for the purpose by the State Government is kept at the disposal of each co-operative central financing agency on the basis of its expected demand ;

(*b*) funds are provided to financing agencies at one-half per cent interest and are to be passed on to societies at $2\frac{1}{2}$ per cent;

(*c*) the State Government reimburses the co-operative financing agencies to the extent of $66\frac{2}{3}$ % of the losses incurred by them in financing industrial societies under the scheme ; and

(*d*) applications of societies are scrutinised by the local officials of the Department of Cottage Industries and Industrial Co-operatives and their recommendations are taken into account by the banks while disposing of the applications.

(*iii*) While some of the central co-operative banks have financial resources of their own, they are unable to lend them to industrial co-operatives at the low interest rates at which Government usually wants them to be given, because of the margins needed by them for administrative expenses, reserves etc.

(*iv*) Usually, co-operative banks finance industrial societies on a clean basis only upto the extent of their owned funds and any accommodation beyond that limit has to be secured by the pledge of stocks, or, as often happens, by a guarantee from Government.

(*v*) The co-operative bank, being the repository of funds of depositors, takes into account-for that matter, any other bank would do so-factors such as efficiency of management, marketing prospects, economic viability etc of a society-factors which often restrict the size of financial accommodation or rule it out altogether.

(*vi*) Generally, central co-operative banks do not have representation of industrial societies on their boards of management and technical experts on their staff and are not in a position properly to appreciate their problems or assess their needs.

(*vii*) Co-operative banks have very large programmes for providing agricultural credit which they are endeavouring to implement and this pre-occupation has led to a lack of interest in industrial co-operatives and their development and influenced both their management and loan policies.

Industrial Co-operative Banks.

5. A few States have been trying to solve the problem of financing industrial co-operatives by setting up separate industrial co-operative banks. We have some data in respect of three district industrial co-operative banks in the Bombay State, three district industrial co-operative banks in Mysore State, the Mysore Central Co-operative, Rural Industrial Financing Bank and the Uttar Pradesh State Industrial Co-operative Bank and review their performance below :

TABLE No. III

District Industrial Co-operative Banks in the Bombay and Mysore States

(Amount in lakhs of Rs.)

	Bombay State			Mysore State		
	Surat As on 31-12-57	Baroda 28-2-58	Sholapur 28-2-58	Bijapur 30-6-57	Belgium 30-11-57	Dharwar 30-9-57
Year of Registration	1949	1956	1949	1949	1949	..
1. Membership :						
(a) Societies .	114	33	131	147	147	N.A.
(b) Individuals .	494	317	805*	349	443	..
2. Paid-up share Capital . .	2·74	1·01	1·76	1·50	1·04	1·02
3. Statutory Reserves	0·33	0·01	0·13	0·09	0·09	0·01
4. Total deposits .	27·07	0·05	2·85	1·99	0.54	0·06
5. Loans from Government .	11·96	3·12	10·09	10·74	6·56	6·33
6. Total working capital . .	42·60	4·19	15·04	14·46	8·27	7·67
7. Loans outstanding against members :						
(a) Individuals .	6·77	1·37	1·93	0·12	0·79	0·49
(b) Societies .	15·26	1·49	8·60	14·32	5·04	4·15
(c) Total .	22·03	2·86	10·53	14·44	5·83	4·64
8. Profit or loss .	+0·53	+0·07	+0·11	+0·40	+0·005	+0·005

*Excluding 142 nominal members.

District or regional industrial co-operative banks

6. From such data as have been furnished to us, it does not appear that there has been any significant growth in the country of district or original industrial co-operative banks. The six or seven institutions of this type in the country have all been started only after 1949. All these banks have been working at a profit. However, apart from the industrial co-operative bank at Surat, the other Institutions have not been able to build up owned funds or loan business on any appreciable scale or to obtain sufficent deposits from the public. The industrial co-operative banks other than the one at Surat are yet to emerge as strong economic units. It is in no way implied that this is due to any inherent weaknesses or limitations of these banks because all the conditions favourable to their growth did not exist.

7. The Mysore Central Co-operative Rural Industrial Financing Bank was started as part of the Rural Industrialisation Scheme introduced in the Mysore State some years ago. Rural industrial co-operatives were organised as basic units but they were not co-operatives engaged in the production of goods or provision of services (such as the supply of raw materials or marketing) to members; they have, by and large, operated as credit societies advancing loans, largely for medium-term agricultural purposes such as fruit and vegetable cultivation, animal husbandry, etc. Recently, a decision has been reached as a result of which the provision of loans for such agricultural purposes will, in future, be the responsibility of agricultural credit societies which will, for the purpose, obtain funds from central co-operative banks. The Rural Industrialisation Bank has, therefore, been concentrating, of late, on the financing of artisans and entrepreneurs engaged in cottage and small scale industries, through rural and urban industrial societies affiliated to it. Weavers societies are not financed by this bank, which issued loans to the tune of Rs. 24·59 lakhs during 1956-57, for the following industries in the volume indicated below :—

The Mysore Central Co-operative Rural Industrial Financing Bank

TABLE NO. IV

(Rupees in lakhs)

(*i*) Agricultural and allied industries (vegetable and fruit cultivation, dairy farming, sheep rearing, poultry farming, etc.)	14·76
(*ii*) Sericulture	2·05
(*iii*) Village Industries	2·30
(*iv*) Small scale industries	4·42
(*v*) Handicrafts	0·31
(*vi*) Others	0·75
	24·59

As on 30-6-1957, loans outstanding to the bank from members stood at Rs. 52·80 lakhs, as compared with outstandings of Rs. 2·71 lakhs as on 30-6-1954. The last few years have witnessed considerable expansion in the business of the bank, for which funds were largely provided by Government. The bank does not accept deposits from the public. During the same period, the paid-up share capital of the bank rose from Rs. 4·66 lakhs to Rs. 44·04 lakhs, and its annual net profit from Rs. 7,112 to Rs. 55,135.

The origin and growth of this bank have to be viewed against the background of the conditions in the Mysore State, prior to reorganisation which did not have a strong and well-established co-operative banking system at district or regional level. The future shape of this bank is being considered by those concerned with it.

Uttar Pradesh Industrial Co-operative Bank

8. The Uttar Pradesh Industrial Co-operative Bank which was registered in 1955, commenced working in November 1956. Its share capital stood at Rs. 6·39 lakhs. The business of financing weavers societies which was previously being handled by the Uttar Pradesh Industrial Co-operative Association was gradually transferred to this bank. Upto 7th February 1958, a sum of Rs. 62·89 lakhs, representing loans from the Cess Fund, and deposits of weavers societies amounting to Rs. 15·15 lakhs had been transferred to it. The bank, however, took over from the Association loans advanced only to those societies whose financial position was satisfactory. The bank's borrowings on various accounts totalled Rs. 78·04 lakhs as on that date and its advances to industrial societies stood at only Rs. 15·99 lakhs. Its surplus funds were, at the moment, held in deposit with joint stock banks.

State Financial corporations

9. There are at present 12 State Financial Corporations including the Madras Industrial Investment Corporation Ltd. which functions as a Financial Corporation in the Madras State. Their share capital has been subscribed by the State Governments concerned, the Reserve Bank of India (except in the case of the Madras Corporation) and financial institutions such as co-operative banks, commercial banks etc. and other parties. The repayment of share capital and a minimum dividend on shares are guaranteed by the State Governments. Among other functions, the Corporations provide financial accommodation in the form of loans and advances to, or subscribe to debentures issued by, medium-scale and small-scale industrial concerns, repayable within a period not exceeding 20 years. Loans and advances for block capital for acquiring fixed assets are granted by the Corporations to existing industrial concerns as well as to new industrial concerns which have workable schemes, and which have collected the initial capital and desire to supplement it. They also grant loans for working capital, to a limited degree, in certain special circumstances, on the security of fixed assets already mortgaged to them *e.g.* where the concerns are unable to obtain their working capital from commercial banks on the security of raw materials, goods in process and finished products. The rate of interest charged on the loans is 6 to 7 per cent. Whether for block capital or working capital, loans are advanced only against the first mortgage of fixed assets, keeping usually a minimum margin of 50 per cent of the net value of fixed assets *viz.*, land, building, plant and machinery.

In no case are cash credit or overdraft facilities provided. A personal guarantee of proprietors, partners or managing agents, or the managing director is generally taken in addition to the security in the form of fixed assets. The period of repayment does not ordinarily exceed 10 to 12 years and is determined on the merits of each case. The loans given primarily for working capital would ordinarily have to be repaid within 5 years.

The State Financial Corporations have begun to play an important part in the financing of small scale and medium sized industries, so far as their long-term credit requirements are concerned. It is estimated that as against Rs. 10·6 crores advanced by them upto the end of March, 1958 to all types of industrial concerns, a sum of Rs. 1·55 crores is accounted for by about 327 applications of units falling under the category of small scale industries. These Corporations have not so far financed any industrial co-operative except for the Bombay State Financial Corporation which has financed two such societies. In certain States, *e.g.* Bombay, Uttar Pradesh and Andhra Pradesh, the State Financial Corporations have been appointed as agents of State Governments for routing Government loans to small scale industries

11. In terms of sub-section 17(2)(bb) of the Reserve Bank of India Act, which relates to the financing of cottage and small scale industries, the Reserve Bank of India can make advances for periods not exceeding 12 months for financing the production and marketing activities of approved cottage and small scale industries against the security of (*i*) two good signatures, one of which shall be that of a State Co-operative Bank or State Financial Corporation and (*ii*) guarantee by the State Government, in full, of the repayment of the principal and payment of interest. Under this sub-section, the Central Board of the Reserve Bank has so far approved only the making of advances to State Co-operative Banks for the financing of handloom weavers societies. The importance of this industry as one of the oldest and largest among the cottage industries of the country, its wide organization on a co-operative basis and the operation of a many-sided programme of State assistance to it, which has begun to show satisfactory results, are some of the factors which led to the recognition of handloom weaving as an industry eligible for accommodation under this section of the Reserve Bank of India Act.

The Reserve Bank of India.

It is needless for us to deal, at length, with all the features of the scheme. We may, however, refer briefly to a few main features of the scheme which came into force in April, 1957.

(*i*) The Reserve Bank makes funds available to the State Co-operative Banks at 1½% below the bank Rate *i.e.*, at 2½ per cent at present. The co-operative banks (State and Central) together keep a margin of 3 per cent and lend to the primary weavers co-operative society at 5½ per cent. To ensure that the primaries receive the funds at 3 per cent, the Government of India have agreed to subsidize the co-operative banks to the extent of 2½ per cent.

(*ii*) Fifty per cent of individual losses on the loan business of co-operative banks with the weavers societies will be borne by the Central Government, 40 per cent by the State Government, and 10 per cent by the Co-operative banks concerned, the Central Government's liability in this regard being subject to an overall limit of 5 per cent of the total loans advanced under the scheme.

(*iii*) Supervisory and audit staff on an adequate scale should be employed by the State Goverements to ensure the success of the scheme. It has been provided that to the extent the expenditure on this additional staff cannot be met from the grant given by the All India Handloom Board to a State Government for organizational expenses in connection with the Handloom Development Schemes, one-half of such excess of expenditure will be met by the Government of India.

Under the scheme, it has been proposed that, ordinarily, a central co-operative bank will be sanctioned a credit limit only up to its owned funds and an apex society only upto thrice its owned funds. The limits are fixed for the financial year and can be operated with the same degree of flexibility and in the same manner as the limits sanctioned by the Reserve Bank for seasonal agricultural operations and marketing of crops. The requirements of societies are assessed at Rs. 300 per loom and the amount already borrowed by them from the Cess Fund and their owned funds are deducted from such estimate to arrive at their actual net requirements. The Reserve Bank's funds are not provided for the financing of societies whose accumulated losses exceed their owned funds. A sum of Rs. 180·19 lakhs was sanctioned under

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this scheme by the Reserve Bank to five State-Co-operative Banks, as shown below, for the year 1957-58.

	(Rs. in lakhs.)
Madras	73·24
Andhra	54·26
Bombay	35·80
Orissa	7·45
Vidarbha	9·44

The question of extending similar credit facilities to other cottage industries has been engaging the attention of the Reserve Bank. The following may be indicated as the rough criteria which, among others, will determine the selection of industries for the purpose :—

(*a*) size of the industry and the extent to which it can be said to have passed the promotional stage and can be taken over as a banking risk ;

(*b*) the extent to which an industry is or may be co-operatively organised ;

(*c*) nature of the market and marketing arrangements available, for the sale of products of the industry ; and

(*d*) adequacy of the arrangements for audit and supervision.

Investigations are being conducted or are about to be taken up by the Reserve Bank, in respect of the following industries :

(*i*) Sericulture ; (*ii*) fisheries ; (*iii*) salt-manufacture ; (*iv*) coir ; (*v*) leather ; (*vi*) palm-gur : (*vii*) ghani oil; and (*viii*) hand-pounding of paddy.

We have recommended elsewhere that the possibilities should be explored for the organisation of industrial co-operatives for light engineering goods, electrical goods and goods needed by the housing industry. In this connection, we would suggest that the Reserve Bank of India may undertake investigation of these industries in addition to those listed above for the purpose of considering the provision of financial accommodation to them.

Government

12. Except in a few States, there is provision in the State Aid to Industries Act for loans to be made available to industrial co-operatives in addition to individual artisans or proprietory concerns. The terms and conditions of such loans differ from State to State in so far as they are given under certain independent schemes of State Governments but are generally uniform where funds are allotted by the Central Government and channelled through State Governments. Under the programme of the Small Scale Industries Board, State Governments are given funds by the Central Government for the provision of loans to small scale industrial units including co-operative societies, subject to the following conditions and terms.

(*i*) Loans are provided for working capital as well as capital expenditure.

(*ii*) The rate of interest on these loans is 3% for individual entrepreneurs and 2½% for industrial co-operatives in which the workers themselves are members and share in the profits

(*iii*) Loans are provided upto 75% of the value of the security offered, which may include land, building, stock-in-trade and even assets to be created out of the loans.

(*iv*) The Central and the States contribute to those loan funds in the ratio of 3 : 1 in the case of industrial co-operatives; losses, if any, incurred in the making of these loans are to be borne *pro-rata* by the State and Central Governments according to their respective contributions.

In Bombay, all loans to industrial co-operatives are being routed through co-operative financing agencies.

As far as the Khadi and Village Industries Commission is concerned, loans are provided, under its schemes to industrial co-operatives as well as to registered units. Thus, for the hand-pounding industry, the Commission provides loans, in addition to subsidies, for the manufacturing and stocking of *Chekkies* and *dhenkis*, as well as loans for stocking paddy, for a period of three years. The loans are interest free in the first year and carry a rate of 3% in the subsequent years. Again, in the case of village oil industry, in addition to subsidies, loans are provided for the purchase of improved *ghanies*, free of interest, and repayable in 5 years. Further, working capital loans for stocking oil seeds are provided for 3 years, which also are interest-free in the first year and carry a rate of 3% during the subsequent years. Similar provision exists in the case of other industries such as village leather industry, cottage match industry, bee-keeping, village pottery etc.

The pattern of financial assistance for industrial co-operatives connected with handicrafts and sericulture is broadly similar to that for co-operatives of small scale industries.

National Small Industries Corporation

13. The National Small Industries Corporation the objects of which we have described elsewhere provides machinery to small industrial units on a hire-purchase basis, and hence, may be considered, in the present context, as a supplier of long-term credit. Only a few industrial co-operatives have taken advantage of the scheme.

Need for switch-over to institutional Finance

14. From our review of the working of various agencies providing credit to small industrial units, our discussions with various individuals and representatives of institutions, we have come to the conclusion that none of the institutional financing agencies has financed industrial co-operatives to any appreciable extent. The main source of finance for the societies has been the Government ; but Government finance has its own limitations. First, Government and its machinery, though they have initially done and are doing a good job, are not well-equipped for undertaking normal banking functions. Secondly, as in the case of *taccavi* loans for agricultural purposes, provision of loans by Government to industrial units also appears to involve considerable red-tape and delay. Thirdly, Government finance is usually provided only in the form of a loan, but for the point of view of industrial units, a cash-credit arrangement for purposes of working capital is preferable, Fourthly, there are other appropriate demands on public funds available for the development of cottage and small scale industries, as, for example, schemes relating to training, improvement of techniques, marketing facilities etc. in addition to, and apart from, in particular circumstances or in respect of particular industries, guarantees to financing agencies. We, are therefore

convinced that every endeavour should be made as early as possible to place the financing of industrial co-operatives on an institutional footing.

Transitional msasures

15. We realise, however, that the transition to institutional financing will be a slow and difficult process because a number of steps will have to be taken to develop small-scale and cottage industries and put them on a sound footing so as to render the existing institutions more ready to finance them. Several of the cottage and small industries are yet to be placed on a satisfactory footing in respect of an improvement in their production techniques, provision of marketing facilities, supply of raw material, technical training, etc. The banks feel hesitant to advance them adequate funds, especially as they draw their resources from deposits which are repayable. It becomes, therefore, necessary for Government to continue to provide loans to industrial co-operatives under the State Aid to Industries Acts or in other ways for so long and to such extent as may be necessary.

At the same time, Government should take such steps as would inspire confidence among the institutional financing agencies and increase their readiness to finance such societies. Towards this end, we should recommend the following measures :

(*i*) The many-sided programme for the development of cottage and small scale industries should be pressed forward with a sense of urgency so as to make the prospects of their stability and survival demonstrably bright.

(*ii*) Technical and supervisory staff should be provided, at the cost of Government, to these financing institutions for the first two or three years or the services of such staff employed by Government should be made available to them as those who direct their affairs are not at present sufficiently well-acquainted with the problems of small industrial units.

(*iii*) Initially, to provide such experience to these banks as would help them understand and deal with small industrial units and their problems better, the funds intended to be provided by Government to industrial societies may, as a rule, be routed through the banks under suitable conditions.

(*iv*) Further, Government should provide, as recommended by us elsewhere, such financial aids as loans for contribution to share capital, reserve fund grants, etc. to strengthen the owned funds of the industrial co-operatives and other financial aids necessary to strengthen the structure of industrial co-operatives to render them strong enough to raise credit on their own strength.

We now proceed to deal with the question of the appropriate banking structure for the financing of industrial co-operatives. The programme of expansion and development of decentralised small industrial units is so big and the demand for funds from cottage and small scale industrial units all over the country is so large that, at the present stage, it seems necessary to make, as we stated at the outset, the fullest use of all available institutions. We believe that it is equally important, from the long-term point of view to create conditions in which the various institutions will function in co-ordination among themselves, and eventually find the resources needed for the financing of small industries. With these objectives in view, we make the following recommendations :

16. Ordinarily, it is to a central co-operative bank (and the State co-operative bank) that an industrial co-operative society should turn for its credit requirements. We appreciate that, as we have already indicated, central co-operative banks have not always shown sufficient sympathy towards, or understanding of, the problems of industrial co-operatives. This is due partly to the predominance of agricultural interests in their management and partly to a fear of risk in financing industrial co-operatives, which was probably justified from their limited experience in this new field. The present is, however, different from the past. With State partnership in co-operative financing banks on the one hand, and with various types of aids provided for cottage and small industries by the Central and State Governments on the other, and in the context of the incentives and assurances which we have recommended, the Government should offer to co-operative banks for the financing of industrial societies, we hope for a distinct change in the attitude of the managements. Co-operators are as good businessmen as any other and though their conservatism in this regard has often received notice, we have no reason to think that they will not be appreciative of the current changes in our economy and responsive to the needs of an integral part of the co-operative sector which is being steadily built up in the larger social interests and to which they too are making their own contribution. In order to ensure an increasingly active role on the part of co-operative banks in meeting the credit requirements of industrial co-operatives, we recommend the following measures :

Role of the central and state co-operative banks

(a) We suggest that there should be suitable representation for industrial co-operatives on the boards of management of co-operative central banks with due regard to their number and importance in the co-operative economy of the district or the region served by such banks, and that an Industrial Sub-Committee consisting of the President and three or four directors, including one or two representatives of industrial co-operatives and the nominees of the administrative department of the State Government, which is concerned with industrial co-operatives, may be constituted to deal with all matters including the disposal of loan applications from these societies. The Sub-Committee would act in an advisory and recommendatory capacity. In particular its objects will be :—

Industrial sub-committee in the central co-operative bank

(*i*) to consider and recommend loan applications from industrial co-operatives ;

(*ii*) to take steps to ensure the proper application of loans and advances for the purposes for which they are taken and effect prompt recoveries ;

(*iii*) to review the working of industrial co-operatives from time to time ; and

(*iv*) to convene meetings of the representatives of industrial co-operatives and others interested, for discussion of matters concerning their working and to take suitable action on the resolutions and decisions arrived at ; etc.

Any special staff which a co-operative central bank may employ for this purpose, may be made to work under the control and direction of this Sub-Committee. An annual report may be sent by this Sub-Committee to the

board of the central bank, which may be incorporated in the annual administration report of the central bank together with such remarks as the board may wish to make.

We consider that action somewhat on these lines would make for proper understanding between the banks and industrial co-operatives and would impart a much-needed degree of industrial bias to the constitution and management of co-operative central banks.

Earmarking of funds for financing industrial societies

(b) A suggestion has been made that co-operative central banks may earmark part of their financial resources for the provision of loans and advances to industrial co-operatives. Industrial co-operatives are, in most parts of the country, still in their infancy and it may be somewhat difficult, in any given area, to forecast the financial requirements of such societies. The amount of financial accommodation needed would depend upon their number, volume of turnover, etc. and it should be possible normally for co-operative banks to provide, consistent with their obligations to the other sectors of co-operative economy and the limit of their resources, a reasonable amount of accommodation to industrial co-operatives. Even so, we recommend that co-operative banks may, in consultation with the appropriate departments of Governments concerned, make an annual estimate of the possible financial requirements of industrial co-operatives in their jurisdiction and earmark part of their funds for these societies. We appreciate the psychological effect of such an arrangement and the climate it will create for the development of industrial co-operatives.

Provision for guarantee of loans

(c) In paragraph 15 of this Chapter, we have already indicated the role which Government will have to continue to play in the field of industrial credit, particularly in relation to the provision of guarantees. For reasons which we have already set forth, there is some reluctance to finance industrial co-operatives, induced experience or by the particular circumstances in which cottage and small industries carry on their operations, or, in some cases, by the lack of security acceptable to banks. The measures taken by the several Boards set up by the Government of India and the State Governments for the promotion and development of cottage and small industries, have begun to be felt and may, in course of time, be expected to impart strength and stability to these industries. We feel that, until that stage is reached, there may be cases in which financial agencies would like to be assured of the repayment of loans and advances they may be called upon to make to industrial co-operatives. We recommend, therefore that Government should extend guarantees in particular circumstances or in the case of particular industries, as may be necessary, for a specified period of time. As and when these co-operative units get well established guarantees may be withdrawn.

Separate staff for industrial finance

(d) We have already referred to the question of providing expert or technical services to agencies which undertake the financing of industrial co-operatives. It has been suggested to us that provision may be made for the appointment of a deputy secretary or deputy manager in each co-operative central bank to attend to matters connected with industrial co-operatives and that such a deputy should be one with some technical experience and qualifications. We commend this suggestion and recommend that, wherever there is a fairly

good concentration of industrial co-operatives in the jurisdiction of a co-operative central bank, the latter may employ a suitable person as deputy manager or deputy secretary. It may be that, in the initial stages, the bank may not be in a position to meet the cost of this officer. We recommed that for the first three years Government may help the bank with subsidies to meet the cost of this officer. Similar subsidies may be made available, on a sliding scale, towards the cost of executive staff, such as inspectors, which a bank may employ for the supervision of industrial co-operatives in its jurisdiction.

In addition, it is necessary, in our opinion, that the services of the technical departments of Government, State or Central which are interested in the promotion of cottage and small industries, should be made available to the financing agencies. In particular, we refer to the personnel of the Industries Department and Small Industries Service Institutes. We recommend that, whenever banks require their services for scrutiny of applications for loans or need their technical advice for any co-operative project or to get over any difficulty which industrial co-operatives have to face, the respective departments should place the services of such personnel at their disposal. We think that such co-ordination is essential and will prove very useful.

Role of the State Bank of India

17. While the suggestions made by us above would apply to most areas where industrial co-operatives are found in a locality served by strong central co-operative banks, it is possible that, in certain areas, the activities of industrial co-operatives and their number may be appreciably large and that, at the same time, the resources and personnel of co-operative banks may not be adequate for meeting the requirements of industrial societies. It is necessary then, in our opinion, that the fullest use should be made of the facilities extended by the State Bank of India for this purpose. It is needless to point out that the State Bank of India was brought into being, *inter alia*, with the major purpose of making it responsive to the needs of co-operative societies. In pursuance of this objective, the bank has already made arrangements for making advances to co-operative banks and marketing and processing societies under different terms and conditions, including the provision of accommodation against repledge of stock-in-trade. Secondly, the State Bank of India, by working its pilot scheme, which is now in operation at 36 centres, has gained valuable experience in understanding the problems of small industries and has also liberalised its terms and conditions in respect of loans to such industrial units. Lastly, the State Bank has a programme of branch expansion, which would take its offices not only to district centres but to sub-divisional headquarters as well. We may, therefore, reasonably expect that industrial societies (particularly those in the urban areas) will be in a position to obtain accommodation from the State Bank. We may recall in this connection that, at a meeting of the Small Scale Industries Board held in Delhi in September 1957, it was recommended that the possibility should be explored of the State Bank of India financing industrial co-operatives. This suggestion has been supported by more than one State Government. Apart from financing industrial societies direct, it may also be possible for the State Bank of India to finance the banks which are providing funds to such societies where necessary. We suggest that, wherever co-operative banks are not, for one reason or another, in a position to finance the industrial co-operatives, they may be financed by the State Bank.

We also consider that, in view of its increasingly important role and of the need for an understanding of the problems of industrial co-operatives

the officers of the State Bank of India should be invited to attend and participate at the meetings of the organisations connected with the promotion of industrial co-operatives. For the reasons set forth in paragraph 15 above, we recommend that all the facilities, guarantees or help which we propose for co-operative banks, may, where necessary or justified, be extended to the State Bank of India in the initial stages.

The role of State Financial Corporations

18. We are aware that, while the co-operative banks and the State Bank of India may reasonably be expected to provide, as between themselves, the short-term accommodation which industrial societies may require for working capital, the arrangements needed for the provision of medium-term and long-term credit present difficult problems. It seems to us that State Financial Corporations which are State-partnered institutions specially intended for assisting medium-scale and small scale industries, may increasingly be utilised for the provision of medium or long-term capital required by industrial co-operatives. These Corporations have in varying degrees gathered experience in providing the medium-term requirements of small scale industries. One of the corporations has also financed two industrial co-operatives. We consider that with the resources of the corporations, current and potential, they should reorient their policies and procedures, so that it may be possible for industrial co-operatives to obtain, in an expanding measure, their requirements of block capital from these corporations. We suggest that State Governments may convey our recommendation to the corporations and take the necessary steps for the implementation of this recommendation.

We believe that the Corporations, in view of the servicing costs involved, may not be interested in small loans or loans below a prescribed limit. We recommend that in such cases, Government may continue to provide medium or long term capital.

We may here observe that the Corporations, in most cases, do not have field staff nor branches through which to operate. We suggest that an arrangement may, by agreement, be worked out by which the State Bank of India or the central co-operative bank, which provides working capital to an industrial co-operative also acts as an agent of the Corporation in so far as its medium-term or long-term loans are concerned.

We also suggest, for consideration, appropriate changes in the constitution of the boards of directors of the Corporations so as to include a representative, where necessary, of industrial co-operatives, or a nominee of the department of the State Government dealing with industrial co-operatives or of the apex marketing society we have recommended.

In regard to the requirements of security demanded by the State Financial Corporations, steps may be taken so that, as in other cases, this problem can be met, initially, by the provision of a guarantee by the State Government or by an apex marketing society of industrial co-operatives, the establishment of which we have recommended elsewhere, till the societies get well established and Corporations have gained sufficient experience in this line to be able gradually to provide funds without guarantee.

We have, earlier, stated that, in certain cases, the Corporations also provide working capital alongside of a medium-term loan to industrial units against a common security, namely, the mortgage of fixed assets, upto 50% of their value. A facility of this nature will be of great advantage to industrial co-operatives which may not be in a position initially to offer security separately for their working capital and block capital loans.

It would be clear from the above recommendations that we contemplate the provision of working capital to industrial co-operatives, by and large, by co-operative central banks and the State Bank of India and the provision of medium-term or long-term capital by the State Financial Corporations and in some cases, State Governments. We expect that, as appropriate provision is made for making available the services of the personnel of the departments or agencies of Government concerned on the lines recommended, for technical scrutiny of applications and for supervision, where necessary, of the industrial units, as loans are guaranteed in part or in full, and as in process of time industrial co-operatives begin to function on satisfactory business lines, there would be steady improvements in the institutional financing arrangements we have recommended. We concede, however, that some considerable period may elapse before this process of switch-over to institutional finance can be completed. We believe that, from the point of view of devising, under present conditions, satisfactory and coordinated banking arrangements to support and finance industrial co-operatives, our recommendations will, over a period of time, produce the desired results.

Role of industrial cooperative banks

19. From the evidence we have gathered, we notice that there is a section of opinion which feels that all these financial agencies, to which we have made a reference, may not be in a position to meet adequately the credit requirements of industrial co-operatives in a sympathetic or liberal manner. They have, therefore, urged the formation of separate industrial co-operative banks. The principal reasons advanced by them are as follows :

(a) Co-operative central banks have been financing largely agricultural credit societies and they are preoccupied with short-term agricultural credit programmes in the Second Plan period.

(b) The staff of the co-operative banks does not have sufficient experience in dealing with matters connected with industrial co-operatives.

(c) Industrial co-operative banks can operate as a suitable agency for providing all types of industrial credit-short-term, medium-term and long-term as well as for channelling assistance received from the Central and State Governments. They may also be expected to take active interest in the promotion and development of industrial co-operatives.

On the other hand, doubts have been expressed as to whether, in the present stage of development of industrial co-operatives, separate industrial co-operative banks are required. It is contended that, firstly, units with a limited volume of business which alone industrial co-operatives can provide may not be able to function as viable units which can pay their overheads. Secondly, they will not be in a position to attract deposits of any significant volume in the present-day market conditions. Thirdly, it is not advisable for a bank to deal exclusively with only one type of business instead of spreading risks over several business lines. Fourthly, the higher financial institutions such as the State co-operative Bank, the State Bank of India, or the Reserve Bank of India, would prefer to deal with a single financial agency at the district level.

We have given careful thought to the arguments advanced for and against the establishment of co-operative industrial banks. The overall objective to be kept in view is the provision of a suitable credit machinery to meet adequately the needs of industrial co-operatives. These needs would vary in different areas and at different stages of economic and industrial develop-

ment. We, therefore, feel that for arriving at a proper judgment in the matter, it would be desirable to adopt a pragmatic approach to the issues involved.

We are of the view that, with a suitable orientation in the working of the co-operative banking structure, supplemented by a similar change in the functioning of the State Bank of India as recommended by us, a forward step would be taken towards financing more effectively the requirements of industrial co-operative societies and that a network of industrial co-operative banks would not be necessary. The first step to be taken is to extend to the existing industrial banks all the help, facilities and concessions recommended by us elsewhere for co-operative and other financing agencies. Further, in areas where the credit needs of the industrial co-operatives can be met adequately only by setting up co-operative industrial banks and where conditions favourable to their successful working, to which we refer below, exist, such banks may be established. In such cases, the decision to set up a co-operative industrial bank should be preceded by a careful examination of all the relevant factors, especially the following :—

(a) whether there is a large concentration of industrial units organised on co-operative basis in the locality to provide the bank with adequate share capital and adequate business;

(b) whether there is a large potential for the growth of industrial co-operatives in the area ;

(c) whether the credit needs are not, or cannot be met adequately by the existing financial agencies and ;

(d) whether the new bank will be in a position to attract deposits.

Some of us also are strongly of the view that industrial co-operative banks should, in deserving cases, be eligible for State-partnerhsip.

Combination of credit with supply and marketing

20. We observe that in several States trading institutions such as apex weavers co-operative societies or district industrial associations undertake the provision of credit sometime in cash and sometime in the form of supply of raw material. We appreciate that this became, in many cases, necessary because of the lack of adequate credit facilities from financing institutions. However, it is risky to combine banking and trading functions, which should be kept, distinctly apart. There have been several instances in India where a combination of these two functions in one institution has led to disaster. We, therefore, recommend that once funds become available to industrial societies from banks on the pledge of raw materials and finished goods, as recommended by us, this practice of combining trading and banking should be given up. We expect that this will also help to avoid dangers of over-financing, which may be incidental to an industrial society borrowing, for some purposes, from a central co-operative bank, and for others, from an industrial association to which it is affiliated.

Period of loans

21. We have already referred to the distinction between short-term, medium-term and long-term credit needed by small industrial units. As regards short-term credit, a suitable arrangement would be the provision of cash credit facilities, renewable once a year. We notice that, where funds are provided by Government, they take the shape of a loan and that they have to be repaid in annual instalments. This is really a hardship and does not

suit the needs of an industrial co-operative which, as it progresses, requires larger working funds for the purchase of raw materials, payment of wages etc. and any repayment can only be at the cost of a reduction in its business resulting in its members being thrown out of employment. Presumably, Government expect the repayment to be made each year out of the profits of the society. In view of the generally weak financial condition of industrial co-operatives, it is not likely that they will have a surplus sufficient to repay the loan, in any case, in the first few years. We, therefore, recommend that for the first two or three years, no repayment be demanded and that the Government loan may be made repayable in a period of 10—15 years, the first instalment being due at the end of the third or fourth year, as the case may be. We also recommend that, in such cases, a further loan be provided to a society, in those circumstances where the payment of the instalment is likely to result in the shrinkage of the society's business.

As far as medium-term loans are concerned, a period of 3 to 5 years seems appropriate. For long-term loans, a period of 15 to 20 years is recommended, the exact period being determined in each case with reference to the purpose for which the loan is taken and the ability of the units in a specific industry to repay.

Pattern of assistance to co-operative societies

22. We may, in passing, suggest that, while gradually the existing pattern of assistance under various schemes of Government might be modified or rationalised, the pattern of assistance for schemes connected with co-operative societies of cottage and small scale industries should not be made less liberal during the remaining period of the Second Five-Year Plan and that a review may, if necessary, be undertaken at the end of this period. Any adverse revision at this stage may create difficulties in implementing the State Schemes drawn up on the basis of financial aid currently in force and retard development.

Rules under State Aid to Industries Act for loans to industrial co-operatives

23. We would also suggest, that, under the State Aid to Industries Act in the States, separate rules be made for advancing loans to industrial co-operatives, as the rules already in force in some of them for the provision of loans to individuals are not, in all respects, applicable to these societies. For instance, in some States, loans available to individuals are either totally denied to societies or are given in smaller volume than what all the members of the society can together get if individual applications are presented.

Industrial co-operatives for scheduled tribes

24. It has been represented to us that a special impetus might be given to the development of industrial co-operatives among the scheduled castes and scheduled tribes as a measure of promotion of their welfare. We strongly recommend that the terms and conditions relating to the provision of Government loans to such industrial co-operatives be liberalised to the maximum extent possible and that this and other types of assistance recommended by us elsewhere for industrial co-operatives be extended generously to the societies serving these sections of the population.

Rate of interest

25. As regards the rate of interest which loans to industrial co-operatives may carry, we refrain from laying down any hard and fast principles applicable to all types of societies and all types of lending agencies. We would be content, with stating that, at the present stage of development of industrial

co-operatives in the country, it is necessary that they should be provided credit facilities at a reasonably cheap rate of interest. Where Government funds are provided, we would recommend that the rate of interest should in no case exceed 3 per cent to the industrial co-operative society. Where Government funds are routed through co-operative commercial banks or Corporations or these institutions provide such loans out of their own resources, Government may provide an appropriate subsidy to enable these banks to advance funds at the rate of 3 per cent. We believe that, as the volume of business increases and the ability of the units to pay a competitive rate of interest also improves, it will be time for Government gradually to withdraw the subsidy. We do not consider that the rate of interest is likely to be such an important item in their production costs as to call for provision of Government subsidy for an indefinite period, though in the initial stages it may be necessary and justified. We, therefore, further suggest that, initially, the concessional rate we have recommended may be provided for a five-year period and that the position may be reviewed at the end of this period.

Margin of co-operative banks

26. It is hardly necessary for us to deal, at any length, with the question of margins, which co-operative banks at different levels may be permitted to retain. As a rule, we would recommend that a margin of 1% may be permitted to a State co-operative bank and a margin of 2% to a central co-operative bank, with variations to suit the conditions of different institutions. The size of margins has primarily to be determined with reference to the financial condition of an institution, volume of its own resources and turn-over, its over-heads, etc. With the increasing volume of co-operative activity under the Second Five-Year Plan, we expect that the business of co-operative banks will sufficiently expand in the next few years to enable them to reduce their margins gradually. We, therefore, feel that, while the margins should be sufficiently liberal in the immediate future to permit the banks to employ extra administrative and supervisory staff, to create adequate reserves, etc. the position may be reviewed after five years.

Guarantee of credit

27. We have referred to the need for some system of sharing of losses or guarantee by Government or other agencies in the transitional stage in order to create, under present conditions, the necessary climate for financing institutions to provide accommodation to industrial co-operatives on a liberal scale. Our detailed recommendations in regard to the provision of guarantee by an apex marketing society of industrial co-operatives on the strength of a Guarantee Fund built up out of Government contributions will be found in Chapter III. In this connection, we would like to emphasise two principles. First, we are of the view that, under any system of guarantee, there should be some residual liability for the bank with a view to making it act with a sufficient sense of responsibility in its lending operations. For instance, under the arrangement drawn up in connection with the financing of weavers societies, the Central Government is to bear 50% of individual losses, the State Governments 40% and co-operative banks 10%, with a ceiling of 5% of total loans advanced, in the case of the liability of the Central Government. In the case of loans advanced to co-operatives of small scale industries, the losses are to be shared between the Central and State Governments in the proportion of 3:1. We recommend that a similar arrangement might be made generally for the financing of other industrial societies as well. There are areas in which co-operative central banks are weak or in the

process of re-organisation and cannot shoulder any part of this liability and we consider that, in such cases, the State Governments concerned, should themselves bear this share of liability as well.

The second consideration which we would like to urge is that there should be no avoidable delay in the fulfilment of the obligations arising from guarantees. Three lines of approach are possible. The first is for Government to step in and pay off the due amount immediately there is a default, that is, when an amount becomes overdue. This is really a guarantee against default. The guarantor has to make good the sum overdue whether it can be recovered later or not. The second approach is that Government pays up, only after the financing bank has lost the money. This is guarantee against losses. The losses can be known only if the bank has exhausted legal proceedings against the industrial society or if the liquidator of the society has declared that he cannot pay off the dues to the bank. In both cases the delay will run into years and the bank cannot afford to wait. The third approach is for the aggregate liability of the guarantor for losses to be determined once in two or three years and for the due amounts to be paid within, say, a month thereafter. This is guarantee against losses estimated by a competent authority on the expiry of a predetermined number of years. Government have in many cases given guarantees against default. In cases where guarantee against losses is given they should be guarantees enforceable on losses ascertained at the end of every two or three years as may be agreed upon at the time the guarantee is given. We consider that, in any system of guarantee, which may be drawn up, there should be no avoidable delay in reimbursing the banks. Any undue delay in the settlement of these accounts is likely to discourage the banks from taking active interest in the financing of industrial co-operatives.

Security for loans

28. One of the major problems in the financing of cottage and small scale industries and, more particularly, of industrial co-operatives is that of finding adequate security for loans. The present practice in this regard varies from State to State and industry to industry. We suggest that certain general considerations may govern policy in this respect.

(i) Co-operative central banks may ordinarily provide clean accommodation to an industrial co-operative society to the extent of its owned funds.

(ii) An industrial co-operative should also be normally entitled to accommodation on the pledge of stocks of raw material and finished goods held in a godown under the bank's lock and key. Suitable margins may be kept between the amount of loan and the market value of the stocks pledged.

(iii) Where a society does not have adequate owned funds to merit clean loan or sufficient stocks to obtain a pledge loan, or does not find convenient to pledge stocks to raise the funds it needs, certain special arrangements may be devised. For instance, the bank may make what is known as a "factory type" of advance. The main features of this advance are that the bank will put up its name board on the factory premises that daily stock statements should be prepared by the borrower and submitted to the bank, that the godown keeper of the bank will verify the stocks pledged as frequently as possible, and that a watchman of the bank will be posted at the factory at night.

(iv) Where this type of arrangement is not possible, accommodation might be provided against the security of fixed assets to be mortgaged, even though advances may be for working capital purposes.

(v) Where even this cannot be done, banks may consider the possibility of financing the societies against a floating charge on all their assets. The assets would stand hypothecated and the financing bank should be supplied with periodical statements of stocks.

(vi) In this context, we would also emphasise that advances against railway receipts in respect of goods despatched to such purchasers as Government, etc. may be allowed.

(vii) Further, in view of the gradually developing export market for products of small scale industries, co-operative banks may, to the extent possible, undertake to provide industrial societies with those facilities which commercial banks ordinarily extend to their clients who are exporters

Precautions to be taken and conventions to be evolved

29. We suggest that certain precautions may generally be taken in the financing of industrial societies. It should generally be ensured that the borrowing society has a satisfactory past record, that it has an able and honest management, that it is technically competent to produce goods to specifications and above all, that the goods are easily marketable. The stock of raw material purchased with the loan given may be taken as pledge to the extent possible. Where feasible, advances made for purchase of raw materials may be effected in the form of payments to the suppliers of raw materials. For the liquidation of the dues to the bank, it may be arranged, if practicable, that the purchasers of finished products should make their payments to the bank direct. This may be adopted in particular, wherever industrial societies obtain orders from Government and other large-scale purchasers.

From the point of view of the evolution of appropriate conventions in the dealings of these societies with financial institutions, it is necessary to place these arrangements on a business footing, to the extent possible. For instance, loan accounts of these societies with lending institutions should be kept alive withdrawals being made for payment of wages, purchase of raw materials, etc. and repayments being effected whenever sale proceeds of products come in. Though business turnover may be slower than in the case of large-scale industry, every attempt should be made to see that societies make the most economical use of funds and do not borrow on a larger scale than necessary. Again, all the financial accommodation to a society may, as far as possible, be routed through one agency to prevent over-financing and, where necessary, the same security could serve for different types of finance. Finally, the borrowing societies should familiarise themselves with such procedures as the furnishing of periodical stock statements incorporating appropriate valuation.

We believe that the enforcement of the precautions and practices outlined above should create conditions in which financing banks may, with confidence, finance industrial co-operatives in a liberal measure.

30. In considering the requirements of working capital of industrial societies one has to note that their funds are locked up not only in raw material goods held as stocks in their own shops for emporia, but often also in goods which have already been delivered to buyers from whom no payment has been received. Trade practices differ from industry to industry and from area to area and, in certain cases, a society is unable to deny credit to some of its purchasers, for, if it does so, its market may be lost. It is a matter for regret, however, that in several instances which have been brought to our notice, payment for goods supplied to Government has been delayed considerably. We would recommend that Government purchasing authorities, both in the States and at the Centre should make every endeavour to settle bills expeditiously.

Prompt payments for Government purchases.

31. Another instance to which we should like to refer, in the same context, relates to the payment of rebate on handloom products. The procedure is that societies initially pay the rebate to the consumer and subsequently, claim it from Government. In various States, large amounts have been locked up in the claims for rebates submitted by weavers societies and this has meant that the resources which would otherwise have been available as working capital for production and marketing, have been frozen in claims. Here again, we would urge that Government should arrange for a speedy settlement of all the claims of weavers societies and others which are entitled to the reimbursement of rebate.

Other claims of industrial societies on Government.

32. We have considered elsewhere the problem of adequate staff for administration, supervision and audit of industrial co-operatives. We would like here only to stress the need for provision to be made on an adequate scale for the audit and supervision of industrial societies, which are to be financed on an institutional basis. It is likely that banks would hesitate to undertake responsibilities in this sphere unless they are assured that a machinery is in existence for the prompt audit and supervision of these societies. We consider that the total number of societies, which are to be placed in charge of one auditor or one supervisor, should be reasonably small, account being taken of the area covered by these societies.

Need for adequate staff for audit and supervision.

33. As in every type of co-operative society, thrift should occupy a central place in the functioning of an industrial co-operative. The fact that artisans live at a low level of subsistance and that Government is providing several aids has somewhat blurred the importance of thrift as a means of promoting not only the working of a society but also the self-respect and self-reliance of the individual member. Considerations connected with national economic planning, no less than those relating to the welfare of the individual artisan, point to the need for the promotion of thrift in industrial societies. Further, various types of aid now given by Government may not continue indefinitely. We, therefore, suggest that a concerted drive be organised by the departments concerned for savings from individual members being collected even if they be small. In particular, we suggest that the savings of artisans may be collected in the following ways:

Promotion of thrift.

(i) a deduction of at least five naye paise per rupee from wages paid to each member;

(ii) similar deductions from the sale proceeds of goods sold through the society by a member;

(iii) conversion of dividends and bonus earned by a member at least, in part, into share capital contribution to the society; and

(iv) institution of a scheme for the collection of small savings in the homes of artisans with the help of *hundi* boxes.

As the prosperity of an industrial society increases, it should be possible over a period of time, for it to build up its resources so that even if it cannot manage its operations with its own funds it will have at least owned funds of a sufficient volume to form the basis of borrowings which it may raise.

CHAPTER VI

MARKETING

Difficulties of marketing

1. Marketing, apart from finance, is the crux of the problem of successful working of an industrial co-operative. The normal channels of contact with the market which are available to the small artisan or small entrepreneur or their co-operative society place them at a disadvantage as compared with the large producer who can command all the modern media of advertisement and publicity and organisational facilities. At one extreme is the artisan who depends almost exclusively for raw material, finance and marketing services, on the trader-cum-moneylender or the master-craftsman. Even the slightly bigger units, whose dependence on the private trader is not so absolute as that of the artisan, are also handicapped in respect of marketing. First, the limited resources of small industrial units do not permit that outlay on advertisement and propaganda on a large-scale or on an efficient marketing machanism (e.g. emporia, commission agents, commercial travellers, etc.,) which a large producer can, for obvious reasons, afford. Secondly, wherever the centre of production and the centre of demand are far apart, that is, where the market is not local, lack of contact with a wider market and of market intelligence presents a problem to cottage and small scale industries. Thirdly, a basic difficulty is that certain products of cottage and small scale industries are not, at the present stage of development of their techniques, or owing to poor standards of quality, in a position generally to compete with the products of large-scale units. Fourthly, where there is considerable time-lag between production and sale, the large-scale unit can normally command the finances necessary for carrying heavy stocks which might accumulate, but the small unit, in the absence of adequate credit facilities for marketing, is invariably forced to sell its products at whatever price they may readily fetch with the consequential adverse financial results. Lastly, the general absence of standardization and of quality marking is an equally serious handicap to successful marketing. The cumulative effect of these factors is that the products of these industries have not been readily sold and many industrial societies as well as their creditors have come to grief with accumulation of unsold and unsaleable stocks.

Principles of successful marketing

2. We are convinced that, for the success of industrial co-operatives, an important pre-condition is that satisfactory arrangements for marketing should be carefully planned and deliberately promoted. At the outset, we would like to set down certain general principles which, in our opinion, might be kept in view in this regard. First, production against a specific order is always to be preferred to production in anticipation of a possible market, especially in the case of industries for which there is no ready or sufficient local market. Secondly, in selecting industries for cooperative organization, account should be taken of the likely pattern of demand in the near future. Thus, for example, priority might be given to goods which are likely to be in popular demand from rural consumers and those likely to be in demand in the context of our industrial development programme e.g., components and parts needed by big industrial units. Thirdly, in respect of cottage and small scale industries which now get support from the state by way of subsidies for meeting marketing costs or for increasing

saleability, an attempt is necessary to plan to work towards a gradual withdrawal of such subsidies. Fourthly, while the traditional artisan is invariably well-skilled and can be made to meet new requirements, itis necessary that production should be so planned as to accord with the changes in the pattern of consumer preferences which continuously occur in our modern economy. Fifthly, as most of these units are yet to establish themselves in the market and build, up a reputation, an improvement in quality and standards of products should assiduously be aimed at and receive the greatest emphasis for marketing would be less of a problem for a unit whose products come to be associated with quality.

Existing arrangements—The Handloom Board

3. It is clear from our study that generally industrial co-operatives have not planned or orga sed marketing in any satisfactory manner Outside ooperative handloom weaving, industrial societies epend largely on local markets. Some of them run ales depots; others engage hawkers; still others look to bulk consumers. As a rule, however, organised marketing through emporia etc. particularly in centres others than those of production, is not well developed. There are of course, instances of industrial societies having taken advantage of sales emporia organized by State Governments for sale of a variety of products of cottage and small-scale industries together, produced in co-operative, private and Government producing units. This is not, however, a complete answer to the problem of marketing. We consider, on an examination of the position, that the measures taken by the all-India Boards are significant as a guide to future effort and that policy and resources should be directed towards the promotion of similar effort in the field of co-opertively organised industrial units, and we would, to get an appreciation of our recommendations which follow, like to describe the measures at some length.

The All-India Handloom Board has attempted to organise extensive marketing facilities for the handloom cloth not only in India but also abroad, by taking the various measures which are mentioned below:

(i) As regards *internal marketing*, provision has been made for grants, on a sliding scale, for the establishment of a large number of sales depots by apex or primary weavers societies. Apart from Rs. 4,000/- per depot for non-recurring expenditure, 100 per cent of the recurring expenditure is provided for the first two years 75 per cent of it in the third year, 50 per cent in the fourth year and 25 per cent in the fifth year.

(ii) Similarly, provision is made for State Governments and apex weavers societies to set up emporia in other States and to popularise products and widen markets.

(iii) Grants are made for the employment of hawkers to sell goods produced by weavers societies, provision being made for 50 per cent of the salary of a hawker or Rs. 50 per month, whichever is less.

(iv) Grants are provided for the running of mobile marketing vans so as to promote sales in rural areas.

(v) Rebate on sales of cloth produced by weavers cooperatives has been another form of aid for promotion of marketing. The rebate is expected to reduce the difference between the prices of mill cloth and handloom cloth and improve the competitive saleability of handloom cloth.

(vi) Other steps taken for promoting sales of handloom cloth include a campaign of publicity and propaganda by the Central and State Governments, including, *inter alia*, advertisements, show-rooms,

posters, exhibitions, celebration of the All-India Handloom Week, etc. and provision for the purchase of samples from weavers, societies to be supplied to traders and customers.

(vii) Several steps have also been taken for giving a fillip to the *external marketing* of handloom cloth. The Government have sanctioned a rebate of 1 anna in the rupee on sales of handloom cloth for export. This rebate is available to co-operative societies or State trading organizations on sales, for export, of handloom cloth purchased from co-operative societies as well as to co-operative societies which are exporting handloom cloth direct.

(viii) Sales depots for handloom cloth have been opened at Colombo, Bangkok, Aden, Singapore and Kuala Lampur and agency arrangements have been made with Varsity Co-operative Stores, Rqngoon. Commercial travellers known as Handloom Cloth Marketing Officers have also been appointed at some centres to cover specific areas. The All-India Handloom Fabrics Marketing Co-operative Society which has recently been set up, has been entrusted with the responsibility of promoting inter-State and export sales.

The Khadi and Village Industries Commission

4. The Khadi and Village Industries Commission has a direcotorate o' sales development which is incharge of the organization for the marketing of Khadi and the products of other village industries and for undertaking a study of markets and consumer preferences and advising the units on the production of goods most in demand. It undertakes organization of exhibitions, emporia, training in salesmanship, revival of traditional designs, promotion of fine yarn-spinning, etc. The largest of the emporia organized by the Commission is the Khadi Gramodyog Bhavan in Bombay which is managed for the Commission by the Bombay Suburban District Village Industries Association. There are similar emporia in Delhi, Madras and Calcutta which are managed by the Commission itself. The State Khadi and Village Industries Board have also established similar emporia in certain centres. Besides, there are numerous certified Khadi Bhandars all over the country for marketing Khadi as well as other products of village industries. To provide an incentive for sales of Khadi, the Commission gives a sales subsidy to the marketing institutions, at the rate of 3 n.P. in the rupee on retail sales. An additional subsidy at the same rate on a maximum of Rs. 32,000 is also given to organizations which show an increase of at least 10 per cent over the sales during the previous year. Further, a rebate of 19 nP. on every rupee worth of khadi purchased by consumers is given. Subsidies are also provided to promote sales of the products of a few other industries coming under the purview of the Commission. Besides, sales agents have been appointed on suitable honoraria on a sliding scale, apart from the usual sales commission, for effecting sales of khadi on a large scale. The aid given for starting new sales *bhandars* consists of a grant for furniture up to 75 per cent of the cost and a grant for recurring expenditure as a percentage of the actual sale of khadi at the *bhandars*. Further, a special direcotorate has been set up for the supply of khadi to Government departments. This directorate deals with such supply against accepted tenders contracted with the Director of Supplies (Textiles), Bombay, with whom the indenting departments place their demands, with specifications etc. Tender enquiries received from this Director are referred by the Directorate of the Commission to the producing units with whom it enters into individual contracts, on the basis of which an offer is communicated to the Director of Supplies for confirmation.

5. The Handicrafts Board also provides financial assistance for the promotion of the marketing of products of handicrafts through the establishment of emporia and organisation and participation in exhibitions, marketing conferences, marketing research, publicity, etc. Mention may be made here of the Central Cottage Industries Emporium run for the Board by the Indian Co-operative Union at Delhi. Under the pattern of assistance prescribed for the emporia, 50 per cent of recurring expenditure and 50 per cent of non-recurring expenditure are provided by the Central Government as a grant, and the working capital is provided as a loan. In regard to expenditure on lands and buildings, financial assistance is provided on merits. The Indian Handicrafts Development Corporation has been set up recently for the promotion of exports of products of handicrafts.

The Handicrafts Board.

6. The Small Scale Industries Board has been playing a notable part in the organization of marketing facilities for the products of small scale industries, largely through the medium of the National Small Industries Corporation which has a Government Purchase Division and a Marketing Division to deal with this aspect of its functions. The main functions of the Government purchase Division are to help small units to obtain an increasing share of the stores purchased by the Government and to develop small industrial units as ancillary to large units. Under the arrangements which the Corporation has been able to finalise with the Director General of Supplies and Disposals of the Government of India, certain items have been earmarked for supply by units of small scale indutries alone. These include metal boxes, badges, postal seals, belt leather, chappals and sandals, leather bags, boots and shoes of certain types, among others. Then there are other items for which a large-scale firms have to be chosen as prime contractors where it is possible for large units to sub-contract ancillaries and components to small scale units. In such cases, the Corporation and the Small Industries Service Institutes help large-scale firms to find suitable small scale units to whom sub-contracting on these lines can be done.

The National Small Industries Corporation

Lastly, there are certain other items of Government purchases which can be tendered by large-scale as well as small-scale industrial units. These consist of two sections. In the first section, small industries are to be accorded price preferential up to a maximum of 15 per cent, the actual quantum being decided in each case on merits. In the sceond section, a portion of an indent is reserved by the Director General of Supplies and Disposals for small scale industries and in the unreserved portion the normal procedure is followed. The Small Industries Corporation locates small industrial units which can deliver the goods required by Government departments and helps to establish liaison between these units and purchasing departments.

The Director General of Supplies and Disposals asks for a guarantee from the Corporation for the supply in all those cases where orders have been placed on its recommendation. During 1957-58, orders to the tune of about Rs. 62 lakhs were obtained by the small industrial units with the help of the Corporation from the various Government departments.

The other important function undertaken by the Division is the development of small scale units as ancillary to large units. Through circulating literature on the subject and establishing appropriate contacts, the Corporation

has been able to persuade certain large-scale units to farm out orders for components and parts to small units.

The main object of the Marketing Division is to popularize and sell the products of small scale industries through mobile vans and the opening of wholesale depots wherever there is a concentration of small scale industries. The mobile sales vans sold goods of the value of nearly Rs. 6 lakhs upto March 1958. Seven of the sixteen depots proposed have already been organised at the follwing centres:

Name of Centre	Industry
Agra	Footwear.
Khurja	Potteries, sanitary-wares and hospital requisites.
Bombay	Paints and varnishes.
Calcutta	Cotton hosiery.
Renigunta	Glass beads.
Aligarh	Locks and miscellaneous domestic hardware.
Ludhiana	Cycle and sewing machines parts and woollen hosiery.

The Corporation has also set up an Export Section to explore the possibility of obtaining orders from foreign countries for certain products of cottage industries. Notable among the orders obtained so far are those for over 3 lakh pairs of shoes obtained from the Soviet Union and for 54,000 pairs of shoes from Poland. It may be mentioned here that the benefits of the orders from Government through the Government Purchase Division have largely gone so far to small scale units organized other than on co-operative basis. A part of the order for the export of footwear to Russia, however, was executed by leather workers co-operative societies of Uttar Pradesh, Bombay and Madras.

Apex organizations of industrial co-operatives

7. The common organizational set-up of industrial co-operatives for marketing purposes has been an apex co-operative organization of industrial societies. As has been mentioned elsewhere, such organizations, however, have come into being mainly in the case of weavers societies in almost all the States. They are intended mainly for the supply of raw material and the marketing of the products of the primaries. It is largely in regard to the latter that they have been active. The extent to which an apex weavers society has been able to help to market the products of primary societies has varied from State to State. Thanks to the assistance given by the Handloom Board, such societies have now been fairly stabilised and have a fairly efficient machinery of staff as well as emporia. As far as other industrial societies are concerned, however, organization at the apex level has not made any significant progress. In Bombay, there is a common State Industrial Co-operative Association catering to the requirements of all types of industrial societies including weavers societies. In several other States, there is no apex institution for societies other than weavers co-operatives. Among such apex organizations, mention may be made of the State Jaggery Marketing Federation of Madras, the Uttar Pradesh Industrial Co-operative Federation, the Tel Ghani Apex Workers' Society of Rajasthan and the apex societies for Silk, Palmgur, and ghani oil industrial co-operatives of West Bengal.

Government purchases

8. We notice that as regards the part played by Government as a purchaser of the products of industrial co-operatives, the position again differs from State to State. In several cases, Government have issued orders favouring purchases from small scale and cottage industries generally but none specifically to favour industrial co-operative societies. In Uttar Pradesh and Himachal Pradesh, however, a specific price preference of 15 per cent is given in favour of products of industrial co-operatives in the matter of Government purchases. In Bombay, a price preference of 25 per cent. is given to *all* products of cottage and small scale industries. A similar general preference is available in Assam, Bihar and West Bengal. In Madras, preference is given for the supply of handpounded rice to jails and hospitals and for the supply of furniture to the Industries Department. The replies to our questionnaire, however, show that, in several states, the preference laid down in favour of industrial co-operatives has not been implemented in practice. This is due, in part, to the inability of industrial co-operatives to supply the goods of the required quality or within the required period and partly to the absence of clear instructions of Government on the subject.

We now, proceed, on the basis of this general review of the existing marketing arrangements and the views expressed to us by representative of co-operative institutions and State Governments in reply to our questionnaire and our discussions, to make the following recommendations.

Need for standardization

9. We consider that an important aspect of the programme for the development of marketing relates to standardization of quality of products of small scale industries. We recommend that standardization schemes should be drawn up and enforced by the Departments of Government concerned, with the help of the Indian Standards Institution, at least in respect of the major products of cottage and small scale industries, as is already being done to some extent in the case of certain types of handloom products.

Finance for marketing

10. A major handicap experienced in regard to marketing is the inability of an industrial society to hold stocks in sufficient quantity in anticipation of a satisfactory price. This affects its ability to dispose of its products at a remunerative price. We recommend that arrangements should be made for the provision of financial accommodation on a specially liberal scale to industrial societies to enable them to hold stocks of industrial products, when necessary, in sizable quantities.

Government purchases

11. In view of the expanding role of the State in the economy of the country and its increasing activities, we consider that there are great potentialities for assistance to cottage and small scale industries, through purchases by Government departments and institutions of the products of cottage and small scale industries. We recommend the following measures.

(*a*) Apart from a general preference provided for products of cottage and small scale industries, we suggest that a further marginal preference may be shown to the products of industrial co-operatives as compared with private units at least in the fields of intensive co-operative organization.

(*b*) It has been represented to us that instructions in this regard are not always unambiguous. We recommend that decisions and directives of Government in this regard should be sufficiently clear and should not, in any manner, lend themselves to evasion.

(*c*) It should be urged on the various departments of Government that it is the accepted policy of the State to support industrial co-operatives through their purchasing programmes and that steps should be taken to ensure that this is also made a concern of the other Departments of the State Government no less than that of the Department in charge of Industrial Co-operatives.

(*d*) We suggest that, wherever possible, all purchases of Government stores should be centralized in one Department of the State Government, as is already the practice in certain States.

(*e*) Wherever an order is placed by Government or on its behalf *e. g.* by the National Small Industries Corporation, industrial societies may be given, without delay, detailed specification and such technical guidance and assistance as may be necessary, so that the scope for rejections may be reduced to a minimum and the contract is completed to the satisfaction of both the parties.

(*f*) A list of goods produced by small scale and cottage industries co-operatives should be drawn up and periodically circulated among heads of departments.

(*g*) Appropriate provision should also be made for liaison between industrial co-operatives and the authorities of the State Government who make purchases for various departments.

Linking-up with large scale units

12. We are of the opinion that there is considerable scope for the marketing of products of co-operatives engaged in small-scale industries through an appropriate linking up with large scale units which require various parts and components produced by the smaller units. Here again, we suggest that suitable machinery in the appropriate administrative department be constituted, which will bring to the notice of large scale industrial units, the products which industrial societies can turn out for them, and to the notice of industrial co-operatives, the type of products which might be required by large scale units and which could be produced by them. We observe that already some part is being played in this connection by the National Small Industries Corporation and the Regional Small Industries Service Institutes, but in the context of the need, this is not adequate. Their activities in this regard may be expanded and intensified. We recommend, in this as well as other contexts, an emphasis in the activities of the Corporation as well as the Institutes with a view to making them actively interested in providing assistance to co-operative societies of small scale industries.

Publicity

13. We observe that there is provision now in the schemes of the various all-India Boards for publicity and propaganda in respect of the products of certain cottage and small scale industries. While these are in the right direction, we consider that such a programme should be extended to as many products of these industries as possible and also that it should be undertaken on larger scale than hitherto. It is further necessary that Government of India should make liberal annual contribu-

tions to the apex marketing organisations so that they may undertake suitable schemes of advertisement, publicity, exhibitions, etc.

Promotion of foreign markets

14. In the case of certain products of cottage industries it is clear that a substantial market can be found in foreign countries if appropriate contacts are built up. We believe that an important part can be played in this connection by our Embassies and the High Commissioner's Offices. In addition, wherever there is sufficient scope for canvassing sizable business, we would suggest that active steps may be taken to build up a suitable marketing organisation. Thus emporia may be subsidised and commercial travellers with commission on sales employed to popularise the goods. The experience of the All-India Handloom Board and the All-India Handicrafts Board is instructive in this regard. It may, however, be ensured that there is no avoidable duplication in such arrangements and that the agencies employed abroad or the emporia run for this purpose are common for as many products of cottage and small scale industries as possible.

Intensive effort in special sectors

15. Each State Government may draw up a list of industries for the products of which there is an assured demand or for which specific orders could be collected from large-scale consumers such as the Railways or other Government departments and efforts for the organization of industrial co-operatives may be specially directed towards these industries. For this purpose, priority may be given to industries, the products of which are required by large scale industrial units both in the public and private sectors and to those articles of utility which both the urban and the rural consumers are likely to buy. The demand for luxury goods and fancy articles is obviously limited and the market for these is a highly specialised one involving not only the use of specialised skills but also the locking up of large sums in stocks of such goods. The market for these will largely have to be found outside the country and should be carefully cultivated in such a manner that the future prospects of such sales are not jeopardised by exports of shoddy products. Fullest use should be made in this connection of the facilities for technical aid which have been made available by the All-India Handicrafts Board and similar organizations. We trust that the Indian Handicrafts Development Corporation which has been established to deal with this important function, will be in a position to bring about a sizable increase in the exports of the products of handicrafts co-operatives.

Transfer of government and other emporia to cooperative institutions

16. We appreciate that, in the absence of co-operative activity on an appreciable scale in this sector and in view of the need for taking urgent steps, it was necessary for several emporia to be started under the auspices of the State Governments or certain specialised organisations for the marketing of products of cottage and small scale industries. With the increasing organisation of activity in this field on a co-operative basis, we recommend that, wherever possible, the management of these emporia may be progressively transferred to suitable co-operative institutions.

17. We have dealt, in detail, with the structure and functions of a marketing organization for industrial co-operatives in Chapter III.

CHAPTER VII

TRAINING AND EDUCATION

Need for cooperative training

1. Industrial co-operatives will flourish only if they are run in accordance with the principles of co-operation and on sound business lines. It is, therefore, necessary that those connected with such co-operatives should be educated in the principles of co-operation and businessmethods. Not only have the members of these societies to be educated in these matters but, even those connected with the organisation, assistance, direction and supervision of these societies, should be given suitable training and instruction and inspired with enthusiam for their development.

Training schemes under the different all-India boards

2. Some of the Boards under whose aegis industrial co-operatives have been formed are conducting training courses. For instance, the Small-scale Industries Service Institutes conduct (*i*) Training courses for Block Level Extension Officers (Industries) for a period of 4 months each, out of an integrated training of one year, (*ii*) Training courses in Business Management for Small Industrialists for 4 months, and (*iii*) A few *ad hoc* courses for select personnel. The Handloom Board hasr anctioned financial assistance from the Cess Fund for certain training a rangements made in some of the States for handloom weaving. The Khadi and Village Industries Commission has an elaborate system for training field organizers and supervisory staff in village industries. But all these courses conducted under the patronage of the different Boards devote special attention to the techniques of the industries concerned and co-operation is dealt with only as one among several subjects, and not in any intensive manner. It is, therefore, necessary that those who have to do with industrial cooperatives should have special training courses so that they may be fully familiar with the methods of running industrial co-operative societies as sound business concerns.

Training centres run by the Central Committee for Cooperative Training

3. We may, in passing, refer to the arrangements currently in force for cooperative training, including training connected with industrial cooperatives. The Government of India and the Reserve Bank have together established a Central Committee for Cooperative Training which consists of representatives of the Government of India and the Reserve Bank as also of official and non-official co-operators. This Committee has built up a net-work of co-operative training institutions all over the country. Briefly, these institutions are of four varieties : (1) There is a Co-operative Training College at Poona for Senior Officers of the Co-operative Department who are in charge of the direction and control or audit of co-operative societies at the State, divisional and district levels. This institution also admits members of the non-official co-operative service who are employed as key executives by State, divisional or district institutions. There are two courses conducted every year, each lasting for a period of six months, during two months

of which the trainees are given practical training in the States of Bombay Madras and Mysore. The subjects taught are co-operation, cooperative law, banking, rural economics, book-keeping, auditing etc., and each student has to choose an optional subject such as Administration of the Co-operative Department, Cooperative Banking, Cooperative Marketing and Industrial Cooperatives. (2) There are 46 Junior Officers' Training Schools conducted in the States. These are intended for the lower ranks of the official and non-official co-operative staff such as auditors, supervisors, clerk, salesmen, accountants, etc. Each of them conducts a course of six months' duration in co-operation, co-operative law, rural economics, banking, book-keeping and auditing in two classes of 40 each. The trainees are also given practical training for a period of 2 months. (3) Between the above two varieties of training institutions there is a third variety intended for the official and non-official staff of the co-operative movement holding posts of a category intermediate to the Senior and Junior Officers, *e.g.*, Inspectors, Cooperative Sub-Registrars, Secretaries of marketing societies, etc. Such courses are conducted at five Regional Cooperative Training Centres situated at Poona, Madras, Meerut, Ranchi and Indore. These courses last for 11 months (12 months in the case of Poona), out of which 4½ months are devoted to practical training in co-operative institutions. The subjects dealt with are co-operation, co-operative law, banking, book-keeping and accountancy and rural economics. Here again, the trainees have to choose a special subject such as advanced banking, co-operative marketing, advanced accountancy and auditing and industrial co-operatives. (4) The fourth variety of training schools is intended for training Block Level Extension Officers (Co-operation). There are 8 such schools situated at Gopalpur-on-Sea, Hyderabad, Tirupati, Kotah, Kalyani, Fyzabad, Dhuri and Bhavnagar. Their courses are analogous to those conducted by the Intermediate Training Centres but devote special attention to problems relating to the Community Development Blocks.

Special courses on industrial cooperatives.

4. The official and non-official staff connected with the industrial co-operatives may with profit join any of the above training institutions. They will acquire a general grounding in the principles and practices of co-operation and also gain special knowledge of industrial co-operatives if they choose 'industrial co-operatives' as their optional subject. But a more intensive training in industrial cooperatives is both desirable and necessary. The Central Committee on Cooperative Training has recognised this need and taken a decision in favour of conducting such an intensive course either as a special course in the five Regional Training Centres or as a special course in the Junior Officers' Training Centres, in the same way as special courses are now being conducted at the Regional Training Centres in land mortgage banking and cooperative marketing. They are prepared to organize a special course for industrial co-operatives in the five Regional Training Centres provided at least 25 candidates are available for each course Proposals for separate Junior Officers' training courses in industrial co-operatives have already been received by the Committee and it is expected that very soon one such training course will be organized at Madras exclusively for industrial co-operatives. A copy of the syllabus drawn up for this course is published as Appendix 'N' to this report.

The key officers of the apex marketing society which we have recommended will require training of a high standard which should be organized as a special branch of the Senior Officers' Training Course at Poona, with adequate emphasis on business management.

Training courses on industrial co-operatives for junior officers.

5. With the recommendations we have made elsewhere for the organization of industrial co-operatives in large numbers and for their being grouped under an apex marketing society in each State for the supply of raw materials and the sale of finished goods, a large number of official and non-official paid staff will have to be employed, particularly, of the level of the junior officers. This staff will have to be trained in a special way at junior officers' training courses conducted specially for them in the States with a syllabus similar to the one published in the Appendix referred to above. We recommend that every State should open one or two training schools on industrial co-operatives for the training of junior co-operative officers and employees of industrial societies. Each of these schools may train 80 candidates per year in two classes of 40 each. The teaching staff might consist of a Principal and 3 Lecturers, one for Banking, Business Management and Book-keeping, one having experience in working out the programmes of the various all-India Boards dealing with cottage and small-scale industries and a third for industrial co-operatives, including co-operative marketing and supply. Concessions such as free tuition, monthly stipends, lump sum allowance for tours conducted for practical training, etc. might be granted to the candidates. We recommend that in the initial stages, the entire expenditure on such schools should be met by the Government of India and that the organisation and other matters connected with the establishment and running of these schools might be dealt with by the Central Committee for Co-operative Training.

Extension service.

6. While the courses of training described above are intended for the training of official and non-official paid staff, co-operative education will also have to be imparted to the members and office-bearers of industrial co-operatives. Such education will have to be a slow and continuous process. The suitable agency to impart this education will be the paid supervising staff and the Block Level Extension Officers (Co-operation and Industries) who will visit the industrial co-operatives often and attend the meetings of their general body as well as of their committee. They should take the opportunity of these meetings not only to guide them on particular subjects that may come up for discussion but also to instruct them in the principles of co-operation and cultivate a sound business sense among them. The best way of doing this will be by discussions and by organizing study groups among the members and office-bearers. In this context, we would invite attention to the principles of extension work, which have been ably discussed by Prof. Laidlaw of Canada, who was recently in India, to assist the Central Committee for Co-operative Training, under the Colombo Plan in his pamphlet on "Extension Work in the Co-operative Movement". We are in general agreement with the basic principles outlined in this pamphlet in regard to the recruitment and training of extension workers, methods of extension and the general approach to work of this nature, and strongly recommend these for adoption in connection with the programmes of Government for the development of industrial co-operatives.

Member education.

7. A programme for the education of members and office-bearers of primary societies, based on the lines of a scheme prepared by the All-India Co-operative Union and approved by the Government of India and the Central Committee for Co-operative Training, is now in operation in 55 selected districts covering 16 States, including one each in Manipur, Himachal Pradesh and Tripura. According to the scheme, the

honorary office-bearers of primary societies, such as presidents and secretaries, are to be given a training of 5 to 6 weeks' duration in the principles, practice and policy of co-operation, co-operative law, business and accounting procedures of primary co-operatives, etc. A week's class is prescribed for members of managing committees and a three days' course for members of societies. This educational programme is conducted by special instructors working under district or State co-operative unions wherever such unions are in existence. The pay of this staff is met entirely from grants provided by the Government of India for the purpose. The education imparted under this scheme, however, is of a general character covering the broad aspects of the working of co-operatives. The members and office-bearers of industrial co-operatives will, no doubt, do well to attend and participate in these classes, as it will help them to acquire a general knowledge of the principles and laws governing co-operatives and the procedure in regard to their working. Industrial co-operatives have, however, special problems of their own, organisational, administrative and financial and it is very necessary that the members are made aware of these and properly equipped to deal with them as they arise. We, therefore, suggest that the education programme for the members and office-bearers of industrial co-operatives should incorporate these special requirements and the instructors who undertake the educational work for these groups should themselves be specially equipped for the purpose. In addition to the extension work referred to in the previous paragraph, which will be undertaken by supervisors and block level extension staff in the course of their visits to industrial societies, an education programme specially oriented to the needs of the members and office-bearers of industrial co-operatives has also to be undertaken as part of the general programme of co-operative education. The person with a co-operative and technical background, who should be employed by an industrial co-operative society on its staff as recommended by us elsewhere, should also help in educating its members in regard to the management of its affairs, conduct of meetings, etc.

Education of general public.

8. We consider it necessary for members of the general public as well as students of educational institutions at various levels to be familiarised with the working of industrial co-operatives and the basic principles and practical working of co-operative societies generally. Towards this end, we recommend that periodical conferences might be held to popularise industrial co-operation as well as to educate different sections of the public in regard to its problems. As regards the introduction of co-operation as a subject of study in schools and colleges, we suggest that elementary instruction in this subject may be provided in the high schools and that advanced courses of study in the subject might be introduced in the Universities in the degree and honours courses in Commerce and Economics. Facilities for research in this and allied aspects of co-operation should also be provided in the Universities.

Technical training—need for review of existing arrangements and requirements.

9. One important aspect of the training and educational programmes connected with the development of industrial co-operatives relates to the techniques and methods of production. We may, at the outset, state that in view of the paucity of data regarding training facilities currently available in different States, we are not in a position to make detailed suggestions on the subject. We are aware that the all-India Boards set up for the promotion of cottage and small-scale industries and the Industries Departments of State Governments are providing training facilities

under various schemes, but no assessment of their adequacy is possible in the absence of a thorough investigation. The State Governments may, at an early date, undertake, with reference to the needs of their programmes for industrial co-operatives, a review of the arrangements for training and instruction of a technical nature, estimate the overall requirements in this field and take measures for their improvement to the necessary extent.

10. The main objects of policy in this sphere may be directed towards the following measures :

Objects of policy for improvement of techniques.

First, research and experimentation have to be undertaken for improving techniques, processes of production, designs, etc. in order to increase efficiency and gear production to changes in the pattern of demand. Secondly, training arrangements should be devised with a view to ensuring that these improved methods are employed in day-to-day production. Thirdly, the tools should be modernised and such modernised oois should be popularized through an appropriate training and extension service.

11. On the basis of the limited information available with us, we would make the following general recommendations:

Techincal training—recemmendations.

(*i*) We observe that, in certain cases, industrial units are not even ware of the kind of facilities for technical training and guidance available and of the centres of such training. It is necessary that, before new institutions for technical training are set up, full use should be made of the existing organizations. We suggest that greater publicity and effective liaison between the various technical agencies associated with the All-India Boards such as the Small Industries Service Institutes and the authorities in charge of industrial co-operatives are necessary and should be ensured.

(*ii*) We are convinced that the more appropriate and promising means initiating and popularizing, on an extensive scale, improvements in techniques is through co-operative organizations which bring artisans together on a common platform. We, therefore, suggest that increasing use should be made of industrial co-operatives for promoting the technical efficiency of cottage and small-scale industries through the introduction of improved methods and tools for production. This may be done through visits to co-operatives by demonstration vans, peripatetic parties, etc. to the extent possible.

(*iii*) We suggest that artisans of proved competence may be selected from among members of industrial co-operative societies and deputed to large industrial concerns in the country and in foreign countries, for training in improved techniques. The fullest use should be made of existing units of large-scale industry for the purpose. Where a well-developed co-operative society is in a position to provide such facilities of in-plant training to artisan-members of other societies, the concerned society may be suitably remunerated.

(*iv*) Even in courses which are strictly intended for technical training, co-operation should be included as a subject and the trainees might be taken round a few industrial co-operatives in the neighbourhood so as to enable them to become familiar with the general principles and practices of co-operation.

(*v*) We observe that, in certain areas, the persons who have been induced by the offer of stipends to join training courses and have been given training, are not found to be of service from the point of view of the development programmes, as they quit this line for some other service or vocation after training. A careful selection of trainees, therefore, is necessary with reference to their background, aptitude, prospects of future employment, etc., and preference may be given to candidates sponsored or recommended by well-established industrial units or employers including industrial co-operatives.

CHAPTER VIII

ADMINISTRATION

Administrative set-up at the State level—present position.

1. The arrangements in force for the administration of industrial co-operatives vary widely from State to State. In Uttar Pradesh, all types of industrial co-operatives, including those for weavers, are under the control of the Director of Industries who is invested with all the powers of the Registrar of Co-operative Societies and is assisted by a Deputy Director with experience in the Co-operative Department. Similarly, in Mysore, the Director, Rural Industrialisation, is in administrative charge of all industrial Co-operatives. The position is similar in that part of Madhya Pradesh which was previously Madhya Bharat. A slight variant of this position is found in Madras where the weavers, societies are under a Director of Handlooms who is the head of a Department in charge of handlooms in the co-operative sector as well as those outside it but who, in so far as the co-operatives are concerned, works under the control of the Registrar of Co-operative Societies. The other industrial societies are under the control of the Director of Industries and Commerce who is assisted by two Deputy Directors drawn from the Co-operative Department. In Kerala too, the industrial co-operatives are under the Director of Industries and there is a separate Department for handloom weavers' societies with a separate Director of Handlooms. At the other extreme are States such as Assam, Bihar, Orissa, Rajasthan and Delhi where the industrial co-operatives are under the sole administrative control of the Registrar of Co-operative Societies. A third type of arrangement is that found in the Punjab where, though the Registrar of Co-operative Societies is in administrative charge of all types of industrial societies, he is assisted by a Joint Registrar of Co-operative Societies-*cum*-Joint Director of Industries who functions as an officer of both the Departments and works under the Director of Industries or the Registrar of Co-operative Societies according as his functions concern the one Department or the other. In West Bengal, again, the Registrar of Co-operative Societies, who has administrative control over the industrial societies is assisted in the handloom sector by a Joint Director of Industries who is *ex-officio* Joint Registrar of Co-operative Societies and operates in the field through the personnel of the Co-operative Department. A fourth type of arrangement is that which obtains only in Bombay where the administration of industrial co-operatives is neither in the Co-operative Department nor in the Industries Department but in a separate Department headed by a Director of Cottage Industries and Additional Registrar of Industrial Co-operatives. Part of his staff is drawn from the Co-operative Department and part from the Industries Department. In several States, officers attached to the Department of Industries, even though they are not in administrative charge of industrial co-operatives, come into the picture in regard to sanction of loans to these societies under the State Aid to

Industries Act or under the schemes of the various All-India Boards and also in regard to technical assistance.

Need for a single authority for all types of co-operative societies.

2. We have given considerable thought to the question of the appropriate arrangement which may be made for the direction and control of industrial co-operatives with a view to ensuring the efficient working of these societies on sound co-operative principles and according to satisfactory standards of business and technical efficiency. We suggest that, for co-ordinated control and unified direction, it is desirable to keep the co-operative financing agencies and the societies financed by them under the administrative control of a single authority. We are aware that, with an increase in the variety and number of co-operative societies, the pressure on the time and energies of the Registrars of Co-operative Societies in some States is becoming heavy, and when the recommendations we have made elsewhere are adopted, the volume of work that will be thrown upon the Registrar will be so heavy that he will not be able to do justice to it. A stage is thus being reached in some of the States where division of administrative responsibility in respect of co-operative societies is becoming unavoidable. It is difficult to lay down a uniform administrative pattern which should be adopted by all the States in order to ensure that direction and supervision of all types of co-operative societies are adequately carried out. We can only tentatively indicate the lines on which the administrative arrangements should be oriented in future. As the pressure of work in regard to registration, financing, audit, etc. increases, it may be desirable to relieve the Registrar of Co-operative Societies, whose responsibilities at present pertain mainly to agricultural co-operatives, of the responsibilities relating to industrial co-operatives, housing co-operatives, etc. and to pass on these latter duties to a separate Registrar who may be appointed. Thus, within a State, there may be two or three Registrars dealing, say, with agricultural co-operatives, industrial co-operatives and other co-operatives We recommend that duplication of office and field staff for these Registrars should be avoided as far as possible. We further recommend that, where there are two or more Registrars of Co-operative Societies, the work of these Registrars should be properly co-ordinated by appointing a Registrar-General or by designating the Senior Registrar as Registrar-General or by constituting the proposed two or more Registrars into a single Board with the senior Registrar as Chairman. In the administrative pattern that we have tentatively suggested above, there should be room for designating, where necessary, the Director of Industries himself as the Registrar in charge of industrial co-operatives, though the detailed inter-departmental adjustments that this would involve, should be worked out very carefully.

Appointment and training of the Registrar.

3. Those selected for appointment as Registrars or Registrar-General should, as stressed by various Committees which have considered the question in the past, be persons with aptitude for co-operative work and should invariably be given practical training in this field for a period of six months. Arrangements which the Reserve Bank is already making for such training should be fully taken advantage of. We endorse the recommendation made by several of these Committees to the effect that the Registrars of Co-operative Societies should not be disturbed from their posts before the completion of a certain minimum period, and suggest that this period should be at least five years.

Liaison between Co-operatives department and industries department.

4. It is possible that the exact role to be played by the Industries and Co-operative Departments in the sponsorship and promotion of industrial societies will differ from industry to industry. Thus, in the case of industries such as handlooms or other village industries which are already widely established and do not involve any complicated techniques, the accent may have to be on the organisational aspects and hence the Co-operative Department may have to play the major part in organising Co-operative Societies for such industries. On the other hand, in the case of industries such as production of automobile parts or electrical goods where techniques have to be taught or developed and where the industrial units are to be brought into being for the first time, the Industries Department may have to play a more active role. Further, there are cases where functions such as the sanctioning of loans under the State Aid to Industries Acts, the implementation of some of the schemes of the All-India Boards, the running of Government sales emporia etc. reside in the Industries Department. We, therefore, recommend that liaison should be established between the two departments so that there is consultation between them in the formulation of their programmes and individual schemes and that, whichever department sponsors the organisation of a particular industrial co-operative, the guidance and help of the other will be readily available. The two Departments should ordinarily be placed under the same Secretary to Government and, if possible, under the same Minister. Thirdly, the officers of the Industries Department as well as the field staff might be given a brief training in Co-operation as part of any technical training which is arranged for them. In cases where this cannot be done, they should be given at least a months' course of lectures and taken on visits to co-operative institutions.

Set-up for field staff.

5. At the district level, the Assistant Registrar of Co-operative Societies, who is in charge of all types of co-operative societies, should also be in charge of industrial co-operatives but should be assisted, in this task, by a district co-operative officer for Industries or a co-operative sub-Registrar for Industries. However, an additional Assistant Registrar to deal with industrial co-operatives alone might be appointed in those cases where their number and volume of activities are large enough to justify such an appointment. Co-ordination at the district level should be maintained by the senior most Assistant Registrar in the district. We further suggest that there should be adequate subordinate staff for the inspection and supervision of industrial societies. The Block Level Extension Officers (Industries and Co-operation) should also be available for work relating to industrial co-operatives in the Community Development Blocks.

Technical staff for industrial Co-operatives.

6. The above set-up of the Co-operative Department generally leaves technical advice and assistance to the Industries Department. There are, however, leather experts, pottery experts and the like in the Co-operative Departments in some States. We consider that, gradually as the apex industrial co-operative marketing society recommended by us grows, it will be necessary, for ensuring co-ordinated development, that all such technical staff as are looking after industrial co-operatives should be transferred to the apex society from the Co-operative Department, the Industries Department and the other agencies employing such staff. It will be necessary that, for this purpose, the Government should continue to meet the cost of such staff till such time as the apex society is in a position to pay for their services.

7. It is not necessary for us to emphasise the need for adequate supervision of industrial societies. Invariably the artisans are not familiar either with the principles of co-operation or with the business aspect of the practical working of a co-operative society. It will, therefore, be necessary to guide them at every stage on matters such as purchase of raw materials, marketing of goods, planning of production, costing and fixing of prices, preparation of loan applications, requests for technical or other assistance, distribution of profits, etc. It will also be necessary from the point of view of the banks which finance these societies, to ensure that the loans have been used for the purposes for which they have been taken, that borrowing has not taken place on a larger scale than is necessary and that the loans are recovered promptly when they fall due, and that in the case of cash credits the accounts are kept alive, withdrawals and repayments according to needs. We are therefore, convinced that the programme of the development of industrial co-operatives, involving as it will, financial outlay on a large scale, will not succeed unless adequate provision is made for supervisory staff. In fact, already the employment of supervisory staff on a prescribed scale has figured in the scheme of financing of weavers' societies by the Reserve Bank of India as a condition of the availability of its accommodation. We would, therefore, recommend that supervisory staff be employed by the Co-operative Department in all States exclusively to deal with industrial societies, generally at the rate of at least one inspector for every 10 societies. The functions of this supervisor will be those described above.

Supervision.

8. Prompt and thorough audit of industrial co-operatives is essential for ensuring that they function on sound lines. In many cases, however, the audit of these societies has fallen into arrears owing mainly to the paucity of staff. This is, of course, true in respect of all types of co-operative societies and we are also aware, in this connection, that co-operative development programmes of most States, under the Second Five Year Plan, provide for the strengthening of audit staff. Taking the present position into account, we make the following recommendations regarding the audit of industrial societies :

Audit.

(*i*) There should be adequate provision of audit staff, generally at the rate of one auditor for every 20 societies of average size for doing at least one audit per year. In the case of large societies, provision should be made for concurrent or interim audit, and this will require one auditor for every 5 societies. In determining the actual number of societies to be assigned to an auditor, account should, however, be taken of all relevant factors, such as the volume of activities, the nature of accounts, proximity to headquarters, etc. of the societies to be audited.

(*ii*) We appreciate that the audit of industrial societies is likely to be complicated and difficult, involving, as it does, business transactions, and hence suggest that special training facilities, (including instruction in costing), may be provided to auditors of industrial societies who, after training, may be allotted for the audit of such societies alone.

9. One other matter of importance relates to the need for liaison between the officials of the Department in charge of industrial co-operatives and those dealing with one or the other of the problems of the various industries sought to be organised on a co-operative basis. For example the Public Works Department is very closely connected with the working

Liaison with other Government departments.

of the labour contract societies. Similarly, the Forest Department has much to do with the conditions in which the forest labourers' societies function, the Salt Department with the societies for salt manufacture and the Fisheries Department with fishermen co-operatives. The purchasing departments of the Government will be in a postion to give effective support to industrial societies. Again, the departments in charge of the allotment of raw materials such as iron and steel can be of considerable help to industrial societies. Periodical inter-departmental conferences may be arranged by the Registrar at which the problems of the development of industrial co-operatives could be discussed, with the benefit of the participation of the concerned departments We also suggest that the officials of these specialised departments may be invited to conferences of industrial co-operatives, so that they may have a better appreciation of the difficulties experienced and may also advise the department in charge of industrial co-operatives suitably. Similarly, to ensure suitable allocation of funds for schemes connected with industrial co-operatives from out of budget allotments for departments other than the Co-operative Department (*e.g.*, the provision for the welfare of Harijans and Scheduled Tribes, salt manufacture, the general development of cottage and small scale industries, including schemes for entrepreneurs, etc.) liaison between the heads of Departments concerned and the Registrar will be necessary and should be secured

Administrative machinery in Government of India to deal with industrial co-operatives.

10. We notice that there is no officer or organisation in the Central Government exclusively to deal with the development of industrial co-operatives in the Country and to co-ordinate the activities, in this regard, of the various State Governments and the All-India Boards connected with the cottage and small scale ndustries. We recommend that a senior officer with experience in co-operation be appointed in the Ministry of Commerce and Industry, Government of India, with the necessary staff exclusively to give active attention to the development of industrial co-operatives, and, among other functions, to pursue with the State Governments and others concerned, the implementation of the necessary measures in this direction.

Need for consultation with the State Co-operative Advisory Council.

11. The implementation of most of our recommendations will depend on the active co-operation and participation of non-officials. We observe, in this connection, that a State Co-operative Advisory Council, consisting of leading non-officials interested in the co-operative movement, has been set up in most States. We feel that every endeavour should be made to keep this Council informed of the activities of industrial co-operatives and to seek its advice and co-operation on important issues of policy.

CHAPTER IX

OTHER RELATED MATTERS

(a) *Women's Organisations*

Present position.

1. In appreciation of the fact that the active participation of women in productive efforts as a condition precedent to a radical change in the social and economic structure of society is necessary, attempts are being made for the establishment of women's industrial co-operatives. We notice, from the information available, that the organisation of separate women's industrial co-operatives is encouraged by most State Governments. It has not been possible to obtain the exact number of such societies in the country. We may, however, review the position of a few of them in some of the more important States on the basis of information furnished to us.

Name of State	No. of Women's co-operatives	Industries in which engaged
1. Bombay	51	Tailoring, embroidery, handpouding of paddy, ambar charkha, weaving, soft dolls manufacture, fish-net making, ornamental leather-craft, etc.
2. Madras	35	
3. Andhra	32	
4. Tripura	7	
5. Himachal Pradesh	1	

We cannot say if, as a general policy, any special privileges, facilities, concessions etc. are given to these co-operatives ; we may only refer to certain forms of help available to them in some of the States which furnished us with replies.

In Andhra Pradesh, the Registrar of Co-operative Societies sanctions, from the annual grant placed at his disposal by Government, subsidies upto 50 per cent of the cost of equipment like sewing machines, etc. and for meeting establishment and contingent charges. In Madras, training schemes in embroidery and tailoring have been introduced in selected women's societies. Stipends are given to members and the cost of machines, raw materials and instructor is met by Government. Some of the State Governments have appointed women organisers to supervise the working of societies. The West Bengal Government have recently appointed three women organisers, and such staff already exists on a limited scale in some other States like Madras, Andhra Pradesh, etc. We understand that in a few States, some women social workers actively help State Governments in organising women's industrial co-operatives, besides serving and managing them as their honorary office bearers.

Organisation.

2. We understand that there is no particular difficulty blocking the organisation of Women's societies. Women, particularly the economically poorer sections of them, have no prejudice against earning their own livelihood by taking, with due encouragement and financial help, to some sort of occupation. In West Bengal and Punjab, where there has been an influx of a large number of refugees, the long inhibiting social barriers that prevailed in the pre-partition days, disappeared and the Refugee and Rehabilitation Department started a number of training-*cum*-production centres with a view to organising trainees, after a course of training and instruction, into co-operative societies. An example of a successful society of the variety mentioned above is the Women's Co-operative Industrial Home at Kamarhati, established by the West Bengal Government. It is hardly necessary for us to state that in the establishment of industrial co-operatives for women, the initiative will certainly have to come from Government. For this purpose, we recommend that trained women organisers may be appointed for conducting regular propaganda amongst women-folk and that, for this purpose, women organisers should be carefully selected and trained in the principles and practice of co-operation, organisation, administration and accounts and given technical instruction in a few important industries. As far as possible, women will have to be engaged in such trades as are possible to be carried on in their own homes or in suitable karkhanas which provide shelter and facilities alike.

We suggest that, in particular, the possibilities of organising women's co-operatives in respect of the following industries may be fully explored :—

(*i*) Spinning and weaving.
(*ii*) Mat-making.
(*iii*) Embroidery.
(*iv*) Tailoring.
(*v*) Toy-making.
(*vi*) Dolls manufacture.
(*vii*) Bamboo products.
(*viii*) Fish-net making.
(*ix*) Hand-pounding of paddy.
(*x*) Ornamental leather goods.
(*xi*) Varieties of cosmetics manufacture.
(*xii*) Making thread ball, tape, ribbon, etc.
(*xiii*) Food preservation and canning.
(*xiv*) Pickles, etc.

Finance.

3. In many of the States, no special concessions are shown to industrial co-operatives for women. In a few States, there is, as we have already stated, some provision for payment of stipends to women candidates in training-*cum*-production centres and for the supply of machines on hire-purchase basis or as an out-right grant. We recommend that State Governments may undertake a review of this aspect of women's co-operatives and extend, in the socio-economic interests of women-folk, the necessary incentives and concessions and where necessary, financial accommodation, supply of tools and

equipment, free services of managerial staff in the initial stages, preferential purchases of the products of these societies, etc.

(b) Co-operative Housing.

4. Housing which is one of the primary needs of the people, next only to food and cloth, has presented a serious social problem. In urban areas the concentration of people has made accommodation grossly insufficient for normal human standards. In rural areas the dwellings of low income groups, where they exist, are not, in a large majority of cases, satisfactory. The problem has been rendered painfully acute by a rapid increase in population, very slow rate of housing expansion during the Second World War, partition of the country, diversion of building materials for development projects, rapidly rising costs of construction etc. In the case of village and small-scale industrial workers, the problem is more acute due to the fact that their houses are also their workshops. Hence, it is all the more necessary that their dwellings should be improved adequately.

Housing colonies for weavers.

5. In this connection, we observe that the Handloom Board has a special scheme whereby the Government of India, is attempting to solve the housing problem of weavers by providing financial assistance as follows :

(*a*) Rs. 3,600 (including cost of land) or the actual cost incurred, whichever is less, for each house will be the standard for grant of a loan and subsidy.

(*b*) The Government of India gives a grant of $33\frac{1}{3}$ per cent of the above cost.

(*c*) The Government of India provides loan to the extent of $66\frac{2}{3}$ percent of the above cost. Interest is charged at $4\frac{1}{2}$ per cent per annum.

(*d*) Financial assistance for dyeing, finishing and other plants to be set up as part of housing colonies is according to the general principles laid down by the All-India Handloom Board and accepted by the Government of India.

(*e*) Government provides loan assistance for the entire expenditure on water supply, drainage, lay-out of roads and other amenities.

(*f*) Financial help is given also for the purpose of repairing and enlarging weavers' houses to the extent of one-third of the cost as grant and two thirds as loan subject to an overall ceiling of Rs. 1,000.

Extension of housing schemes.

6. We record our appreciation of these efforts and of the liberal provision of financial assistance for the promotion of housing and common facilities for weavers on co-operative basis and recommend that such aid and facilities may be extended to other cottage and small industries workers organised on co-operative lines, the particular type of co-operative industrial units eligible for help being determined in consultation with State Governments. We need hardly add how greatly this would promote the social and economic well-being of this section of industrial workers with whom we are here concerned.

CHAPTER X

SUMMARY OF RECOMMENDATIONS

The following is a summary of the recommendations made by us at several places in the body of the Report.

I. ORGANISATIONAL PROBLEMS

(Chapter III)

Serial No.		Paragraph No.
1	The members of a co-operative production society should be enrolled with reference to their skill in the manufacture of the products which the society intends to produce and should be drawn from a compact area such as a town or a group of villages	7
2	Normally, there ought to be a separate society for each industry or craft. If, in any case, two or more industries or crafts are to be combined in one society, it should be carefully examined whether the members will have a community of interest and whether there is scope for the success of the society . . .	8
3	In the case of industrial co-operatives in which the worker members may not be able to provide leadership, capital, managerial ability or outside influence in the measure necessary for success, it is desirable that a few non-workers should be admitted into the society as members but their number should be restricted to 10 percent of the total number of members and care should be taken to see that such 'sympathisers' are genuinely interested in the workers' welfare	10
4	There should be no objection to the conversion of a proprietory concern into an industrial co-operative society provided the entrepreneur and the workers join the proposed society as members and entrepreneur is not given any special privileges in the society and is entitled to only one vote and a reasonable remuneration and bonus for services rendered. Before the registration of such a society the Registrar should educate the member workers in their rights in the society so that their interests are not subordinated to those of the entrepreneur.	11

Serial No.		Chapter III, Paragraph No.
5	There should be no objection to the registration of an industrial co-operative service society of small entrepreneurs provided (*i*) that the workers employed by each entrepreneur are also admitted as its members, and (*ii*) that no entrepreneur member employs more than 10 workers	12
6	Additional workers required to complete the execution of an order by an industrial society as also apprentices, including minors, may be enrolled as associate members with a nominal share each but with no other rights in the society than that for wages and bonus on wages. Suitable provision may be made for this purpose in the co-operative law in force in each State	13
7	When purchases of raw materials and sales of manufactured products increase in a production or service society, the suppliers and customers may be brought into the society as nominal members with nominal shares but without any rights in the society	14
8	The procedure according to which loans are being provided for handloom weavers with a view to enabling them to take shares in a weavers co-operative society may be adopted by the Government in respect of all industrial co-operative societies	16
9	Where, for the successful conduct of their business, industrial co-operative societies need more owned capital than what can be raised as share capital from members, the State Governments may contribute to the reserve fund of the society the required amount as foundation money.	17
10	The practice, according to which the Central Government, through the All India Handloom Board, provides State Governments with loans for contribution to the share capital of apex weavers societies may be adopted in respect of the industries dealt with by the other Boards. An apex industrial society should also be entitled to receive a grant from the Government towards contribution to its reserve fund	17
11	The Board of Directors of an industrial society should ordinarily be elected by its members from among themselves and the President should be elected by the Directors from among themselves. Separate representation may be given on the Board to sympathisers to the extent of not more than about 25% of the total number of Directors	18

Chapter III, Paragraph No.

12 It would not be proper to let the Registrar of Co-operative Societies nominate more than a third of the Board of Directors, including the President of the Society, if necessary, for the first three years. In exceptional cases, the entire Board may be nominated for the first three years with the special sanction of Government . 18

13 The Board of Directors should be assisted by a competent manager and adequate staff. Where, with the help of a Government subsidy, the services of experienced men can be secured by the society from business organisations, Government should provide the subsidy for a limited period on a sliding scale 19

14 The practice obtaining in some States of deputing experienced officers of the Co-operative Department to work as the managers of industrial co-operatives on foreign service terms under the direction and control of the Board of Directors of the societies, for a period of three years at a time, may be adopted, wherever necessary. Where a society cannot afford to pay for the services of such a manager, he may be deputed initially free of cost but within a period which should be specified, it should bear his entire cost on a graduated scale. During the period of deputation of such an officer, no contribution towards pension and leave salary should be collected from the society. Nor should the officer be transferred by the Department to other work during the period of his deputation. Further, during this period, the society should train someone to take the place of the deputed officer in due course 19

15 The manager and every member of the administrative staff of an industrial co-operative society should be eligible for its membership. 20

16 No industrial co-operative society should be registered without an on-the-spot study of its prospects of success. Such a study should find out particulars regarding (*i*) the market for the article to be produced, (*ii*) the availability of the raw materials needed, (*iii*) the availability of transport facilities, (*iv*) the need for and the availability of financial resources, (*v*) the cost of production per unit, (*vi*) the price at which the products can be sold and the margin of profit it will give, and (*vii*) the performance of other units of the same industry in the neighbourhood, etc. It should be examined whether the net profits of the society will be sufficient to set apart reserves, declare a dividend of at least 3 per cent on share capital and a bonus of 3 per cent on wages after paying off instalments on loans, interest charges, rates and taxes, etc. and providing for depreciation. If the study reveals that the society will not pay its way for many years to come, say, even beyond four years, the society should not be registered 22

Serial No.		Chapter III, Paragraph No.
17	In the case of industries which are being supported with subsidies in view of their importance from the point of view of providing employment, such subsidies should be taken into account in the on-the-spot study suggested. Even in their case, the society should not be registered if, in spite of the subsidies, the society will not pay its way year after year	23
18	The Departments of Industries and Co-operation should study the technical and commercial aspects of the production of selected items of light engineering goods, electrical goods and goods needed by the building industry, and take steps to organise industrial co-operatives for the production of such items as offer prospects of business success. The Central and State Governments might secure large orders for these selected items from the railways and other State industrial enterprises and distribute them among the industrial co-operatives organised, for being executed according to specifications under competent supervision	24
19	Industrial co-operative societies for other lines of business should also be supported where they exist and more such societies should be organised wherever there is a demand and the prospects of success are good. They should also be given all the aids recommended. .	25
20	A relaxation of the maximum borrowing limit fixed at eight times the paid-up share capital and reserve fund of an industrial co-operative society is likely to lead to overtrading and losses. However, the various measures recommended for giving the society adequate owned funds are likely to provide it with a sufficient basis on which to borrow up to its needs. Further, loans given on the pledge of raw materials and finished products may be excluded from the maximum borrowing limit of eight times the owned funds.	26
21	The members of industrial co-operatives should be educated in the correct appreciation of their relationship with the society and their rights and duties. They should not seek outside interference but should govern their workshop by themselves	28
22	The several types of assistance recommended for industrial co-operatives may be expected not only to stimulate the formation of a large number of co-operative societies in the sphere of cottage and small-scale industries but also to lead to the conversion of industrial units, which at present function otherwise than on a co-operative basis, into co-operative societies. Such conversions	

Serial No. | Chapter III, Paragraph No.

should be welcomed and encouraged, care being taken to see that the societies which are formed conform to co-operative principles. Further, the different types of assistance now being offered to cottage and small industries by Government should be channelled in an increasing measure through co-operative societies . 30

23 Every State should have a co-operative apex marketing society for industrial goods which will be both a business and promotional body. Every industrial co-operative society in the State should take shares in it. The Government should also take shares in it up to three times the capital subscribed by the societies and, in any case, not less than Rs. 10 lakhs for a State of the size and industrial prospects as Madras, Mysore, Punjab or West Bengal 33

24 The functions of the apex society should be to (i) supply raw materials and equipment to member societies for cash ; (ii) take over their finished products for sale on consignment basis or on an outright purchase and sale system , (iii) obtain orders from Government, Railways, large industrial firms, etc., and arrange for their production and delivery by the affiliated societies on a sub-contract system ; (iv) recommend loans and advances to banks for industrial societies and, if necessary, to guarantee their repayment ; and (v) run a research and publicity section 34

25 The apex marketing society should open a branch with a godown-*cum*-sales depot at the headquarters of the State as well as at the headquarters of each district. The raw materials and equipment in demand from members should be stocked in the godown for sale on cash basis. The finished products of the members should be received at the sales depots, displayed suitably and sold to the public for cash. Each godown-*cum*-sales depot should be in charge of a branch manager, assisted by an office and field staff . . 35

26 Each branch should have an Advisory Committee, nominated for 3 years at a time by the Board of Management of the apex society and consisting of 3 representatives from the member societies in the district and one from the District Co-operative Bank, one from the Industrial Co-operative Bank, if any, and one each from the departments of Industries and Co-operation in the State and the Small Industries Service Institute of the Central Government 36

Serial No.		Chapter III, Paragraph No.
27	The management of the apex society should vest in a Board consisting of (i) one or two representatives from the member societies of each district ; (ii) three directors nominated by the State Government, who should be Registrar of Co-operative Societies, Director of Industries and the Finance Secretary ; (iii) the Director of the Small Industries Service Institute in the State ; and (iv) a nominee of the National Small Industries Corporation. The president of the apex society should be elected by the members of the Board from among themselves	37
28	While this Board may meet not more than once a quarter, an Executive Committee, consisting of the president, two directors representing industrial co-operatives and two other official directors, should carry on the business of the apex society, meeting once a month or more often if necessary	37
29	The general body of the apex society consisting of one representative from every affiliated society and of the directors of the apex society will be the ultimate authority of the society	37
30	Loan applications of affiliated industrial societies should be made to the branch manager who will place them before the Advisory Committee, which will take a decision as to the grant of the loan, and forward the application to the bank, whose representative on the Advisory Committee agrees to finance the society .	38
31	Where the lending bank asks for a guarantee, it should be given by the branch manager with the approval of the Advisory Committee up to a limit for which the Board of management of the apex society have given him powers. Beyond that limit, the guarantee should be given by the Board of Management itself on the recommendation of the Advisory Committee . . .	39
32	Government should provide the apex society with a guarantee fund, by making a grant which might be about Rs. 10 lakhs initially and Rs. 5 lakhs during each of the next 4 years, depending upon the size of the State and opportunities for development of industrial co-operatives. This guarantee fund should be invested by the apex society separately in trustee securities, and should not be drawn upon except with the consent of the Trustee appointed by the Government from among its nominees on the Board of Management of the apex society. The guarantee fund should be allowed to be drawn upon by the Trustee only to the extent of a percentage of the guarantee enforced against the apex society. This percentage should be as large as 75 per cent during the first 5 years, at the end of which period the Government may review the situation and reduce the percentage.	40

Serial No.		Chapter III, Paragraph No.
33	The running costs of the apex society should be borne by Government for the first five years in the case of the establishment at the headquarters. As regards the branches, its costs to Government may be reduced on a sliding scale over a period of eight years. In the interests of speedy development, a good part of the Government subsidy should come from the Central Government	41
34	In the first five years of the working of the apex society, one-half of the net profits and the entire dividend on Government share capital should be contributed to the reserve fund of the society	42
35	Indirect aids from Government to industrial co-operatives recommended in this report—statutory, administrative and fiscal—should all be available to the apex societies also	43
36	Existing apex weavers' societies should remain distinct and, where a common apex industrial society is now dealing with all varieties of industries including handloom weaving, the latter should be separated and a separate apex society established for weavers' co-operatives. Similarly, apex coir societies and federations of co-operative societies of village industries which are functioning well should be allowed to continue. There should be no regimenting of industrial co-operatives into the apex marketing society recommended by us though every society which wishes to join it should be free to do so	44
37	A review of the working of the existing federations of industrial co-operatives may be undertaken in each state. Wherever the existing institutions are working on sound lines and may, therefore, be retained in their present form, such institutions may be allowed to continue and the aids recommended for the apex societies may, generally, be extended to them. A similar review may also be undertaken in the case of the existing district or regional organizations with a view to determining whether they could be suitably integrated with the proposed apex marketing society by affiliation .	46

II. RAW MATERIAL AND EQUIPMENT

(Chapter IV)

Serial No.		Paragraph No.
38	The supply of yarn to primary weavers' societies may be undertaken by apex weavers' societies in all the States and every endeavour may be made to ensure such supply at reasonable prices through wholesale purchase and economy in distribution costs	1
39	Apex weavers' societies should follow the generally accepted co-operative principle of "sale at market price" and supply yarn to affiliated societies at the prevailing market price	1
40	Apex weavers' societies may build up specific reserves to meet losses, if any, on yarn trade, carrying, if necessary, part of their profits on this business to such reserves.	1
41	The Central Government may actively assist State Governments with loans and grants, import licences etc., for establishing co-operative spinning mills at all important centres	1
42	A review may be made of the current allocation of iron and steel and other commodities under control as between the several sectors or agencies and, with due regard to the increasing importance of small scale industries in our economy, their quota may be increased. Further, as an incentive towards organized effort, industrial co-operatives may be shown special consideration, including preference in special circumstances . .	2
43	The import of raw silk may be liberalised so as to enable the level of employment to be maintained in the section of the silk-weaving industry in which imported raw silk is exclusively used	3
44	When raw material is to be imported, special licences should be sued for the purchase of such material to industrial co-operatives on a preferential basis. In case an apex body is able and willing to import the material direct, Government should issue import licences to it direct	4
45	Where raw material is in short supply and is controlled by Government, industrial co-operatives should be registered for quotas on a preferential basis and their demands met with due regard to the availability of the material in the country. The services of apex bodies should be utilized in the distribution of controlled commodities such as iron, steel, cement etc. . . .	4

Serial No.		Chapter V, Paragraph No.
46	Wherever Government has control over the release and distribution of raw material for public use, some preferential treatment in price etc., may be given to industrial co-operatives for a prescribed period . . .	4
47	Industrial co-operatives should be advanced loans on a liberal basis, for the seasonal purchase of raw materials and their stocking for distribution during the off-season.	4
48	Government may consider the question of providing loans and subsidies to large-sized industrial co-operatives for the construction of godowns for storage of raw material and finished goods in the same manner as the marketing co-operatives are assisted for the purpose .	4
49	The existing arrangements for the supply of equipment, machinery and tools to industrial co-operatives by the various All-India Boards, etc. should be continued and the following additional facilities should be provided : (i) Industrial co-operatives should be given preference in the matter of supply of machinery imported or in short supply within the country. (ii) In cases where the financial resources of a co-operative society do not permit immediate payment for machinery or equipment needed by it, the All-India Board or the State Government concerned should provide the necessary funds on a medium-term or long-term basis. (iii) In cases where machinery has to be imported, the apex industrial society or a primary society may be allowed to get it on a priority basis	10

III. PROVISION OF CREDIT

(Chapter V)

50	The Reserve Bank of India may, in addition to these industries already selected for study, undertake the study of three more industries *viz.*, those producing light engineering goods, electrical goods and goods needed by the housing industry with a view to financing them	11
51	Every endeavour should be made, as early as possible, to place the financing of industrial co-operatives on an institutional footing. As the transition to insitutional financing will be a slow and difficult process, Government should take the following steps so as to inspire confidence among the institutional financing agencies and improve their readiness to finance industrial co-operative societies	15
	(a) The many sided programme for the development of cottage and small scale industries should be pressed forward with a sense of urgency so as to make the prospects of their stability and survival demonstrably bright.	

Serial No.		Chapter V, Paragraph No.
	(b) Technical and supervisory staff should be provided at the cost of Government for the financing institutions for the first two or three years or the services of such staff employed by Government should be made available to them.	
	(c) Initially, to provide such experience to these banks as would help them understand and deal with small industrial units and their problems better, the funds intended to be provided by Government to industrial societies may, as a rule, be routed through the banks under suitable conditions.	
	(d) Government should provide such financial aids as loans for contribution to share capital, reserve fund grants, etc. to strengthen the owned funds of the industrial co-operatives and other financial aids necessary for making the structure of these societies stronger.	
52	Ordinarily, it is to a Central Co-operative Bank that an industrial co-operative society should turn for its credit requirements. In order to ensure an increasingly active role on the part of co-operative banks in meeting the credit requirements of industrial co-operatives, the following steps should be taken :	16
	(*i*) There should be suitable representation for industrial co-operatives on the boards of management of co-operative central banks with due regard to their number and importance in the co-operative economy of the district or the region served by such banks.	
	(*ii*) An industrial sub-committee consisting of the President and three or four directors, including one or two representatives of industrial co-operatives and the nominees of the administrative department of the State Government which is concerned with industrial co-operatives, may be constituted to deal with all matters relating to industrial co-operatives, including the disposal of their loan applications. The sub-committee would act in an advisory and recommendatory capacity. Any special staff which a co-operative central bank may employ for these societies, may work under the control and direction of this sub-committee. An annual report may be sent by this sub-committee to the Board of the central bank which may be incorporated in the bank's annual report together with such remarks as the Board may wish to make.	
	(*ii*) Central co-operative banks may, in consultation with the appropriate departments of Governments concerned, make an annual estimate of the probable financial requirements of industrial co-operatives in their jurisdiction and earmark part of their funds for these societies.	

Serial No.		Chapter V, Paragraph No.
	(*iv*) The Government should extend guarantees to financial agencies in particular circumstances or in the case of particular industries, as may be necessary, for a specified period of time.	
	(*v*) Wherever there is a fairly good concentration of industrial co-operatives in the jurisdiction of a central co-operative bank, the latter may employ a suitable person as deputy manager or deputy secretary to attend to matters connected with industrial co-operatives.	
	(*vi*) For the first three years, Government may help the bank with subsidies to meet the cost of this officer. Similar subsidies may be made available, on a sliding scale, towards the cost of the executive staff which the central bank may employ for the supervision of industrial co-operatives in its jurisdiction.	
	(*vii*) Whenever co-operative central banks require the services of the technical departments of Government, State or Central, which are interested in the promotion of cottage and small-scale industries, for scrutiny of loan applications, etc. the respective departments should place the services of such personnel at their disposal.	
53	(i) Wherever co-operative banks are not, for one reason or another, in a position to finance the industrial co-operatives, they may be financed by the State Bank of India	17
	(ii) The officers of the State Bank of India should be invited to attend and participate at the meetings of the organisations connected with the promotion of industrial co-operatives.	
	(iii) All the facilities, guarantees or help which have been proposed for co-operative banks, may, wherever necessary or justified, be extended to the State Bank of India in the initial stage.	
54	(i) With the resources of the State Financial Corporations, current and potential, they should reorient their policies and procedures, so that it may be possible for industrial co-operatives to obtain, in an expanding measure, their requirements of block capital from these Corporations.	18
	(ii) In view of the servicing costs involved, the State Financial Corporations may not be interested in providing small loans or loans below a prescribed limit. In such cases, the Government may continue to provide medium or long-term loans.	

Serial No.		Chapter V, Paragraph No.
	(iii) An arrangement may, by agreement, be worked out by which the State Bank of India or the central co-operative bank which provides working capital to an industrial co-operative, also acts as an agent of the State Financial Corporation in so far as its medium-term or long-term loans are concerned.	
	(iv) Appropriate changes may be made in the constitution of the Boards of Directors of the Corporations so as to include a representative, where necessary, of industrial co-operatives, or a nominee of the department of the State Government dealing with industrial co-operatives or of the apex marketing society.	
	(v) Steps may be taken so that the requirements of security demanded by the State Financial Corporations can be met, initially, by the provision of a guarantee by the State Government or by an apex marketing society of industrial co-operatives until the societies get well established and the Corporations have gained sufficient experience in this line.	
55	(i) All the help, facilities and concessions recommended by us elsewhere for co-operative and other financing agencies, should be extended also to the existing industrial co-operative banks.	19
	(ii) In areas where the credit needs of industrial co-operatives can be met adequately only by setting up industrial co-operative banks and where conditions favourable to their successful working exist, such banks may be established. In such cases, the decision to set up an industrial co-operative bank should be preceeded by a careful examination of all the relevant factors, especially the following : (a) whether there is a large concentration of industrial units organised on co-operative basis in the locality to provide the bank with adequate share capital and adequate business ; (b) whether there is a large potential for the growth of industrial co-operatives in the area; (c) whether the credit needs are not, or cannot be, met adequately by the existing financial agencies, and (d) whether the new bank will be in a position to attract deposits.	
	(iii) Some members of the Group were strongly of the view that industrial co-operative banks should, in deserving cases, be eligible for State-partnership.	
56	With funds becoming available to industrial societies from banks, apex weavers' societies, district industrial associations, etc., should give up the practice of combining trading with banking by supplying goods on credit.	20

Serial No.		Chapter V, Paragraph No.
57	In case of Government loans for working capital repayable in annual instalments over a period of years, no repayment should be demanded for the first two years and the loan may be made repayable in a period of 10 to 15 years, the first instalment being due at the end of the third or fourth year as the case may be. Besides, a further loan may be provided to a society in those circumstances where the payment of the instalment is likely to result in the shrinkage of its business	21
58	The pattern of assistance for schemes connected with co-operative societies of cottage and small scale industries should not be made less liberal during the remaining period of the Second Five-Year Plan and a review may, if necessary, be undertaken at the end of this period .	22
59	Separate rules may be made in the States for advancing loans to industrial co-operatives under the State Aid to Industries Act	23
60	The terms and conditions relating to the provision of loans to industrial co-operatives of Scheduled Castes and Scheduled Tribes should be liberalized to the maximum extent possible and this and other types of assistance recommended for industrial co-operatives should be extended generously to societies serving these sections of the population	24
61	Where Government funds are provided the rate of interest on the loan should in no case exceed 3% to industrial co-operatives	25
62	Where Government funds are routed through co-operative or commercial banks or corporations, or these institutions provide such loans out of their own resources, Government may provide an appropriate subsidy to enable these banks to advance funds to the industrial co-operative societies at the rate of 3 % . . .	25
63	The concessional rate of interest recommended may initially be provided for a five-year period at the end of which the position may be reviewed . . .	25
64	As a rule, the State Co-operative bank may be permitted a margin of 1% and the central co-operative bank, a margin of 2%. While the margins should be sufficiently liberal in the immediate future so as to enable the banks to employ extra administrative and supervisory staff, create adequate reserves, etc., the position may be reviewed after five years	26

Serial No. | Chapter V, Paragraph No.

65 The existing arrangements for the sharing of losses sustained by co-operative financing agencies in respect of their loans to co-operative societies for handloom weaving and small scale industries, may be adopted in respect of the financing of co-operatives of other industies as well 27

66 In cases where guarantees against losses are given, they should be guarantees enforceable on losses ascertained at the end of every two or three years as may be agreed upon at the time the guarantee is given and there should be no avoidable delay in reimbursing the banks . 27

67 The following general considerations should govern the policy in respect of security for loans to small scale and cottage industries : 28

(*i*) Co-operative central banks may ordinarily provide clean accommodation to an industrial co-operative society to the extent of its owned funds. (*ii*) An industrial co-operative society should also be normally entitled to accommodation on the pledge of stocks of raw material, and finished goods held in a godown under the bank's lock and key. (*iii*) Where a society does not have adequate owned funds to merit a clean loan or sufficient stocks to obtain a pledge loan or does not find it convenient to pledge stocks to raise the funds it needs, certain special arrangements may be devised, *e.g.*, the bank may make what is known as a "factory type" of advance. (*iv*) Where this type of arrangement is not possible accommodation might be provided against the security of fixed assets to be mortgaged, even though advances may be for working capital purposes. (*v*) Where even this cannot be done, banks may consider the possibility of financing the societies against a floating charge on all their assets. (*vi*) Advances against railway receipts in respect of goods despatched to such purchasers as Government, etc. may be allowed. (*vii*) Co-operative banks may, to the extent possible, undertake to provide industrial societies with those facilities which commercial banks ordinarily extend to their clients who are exporters.

68 The following precautions may generally be taken in financing industrial societies : 29

(*a*) It should generally be ensured that the borrowing society has a satisfactory past record, that it has an able and honest management, that it is technically competent to produce goods to specifications and, above all, that the goods are readily marketable. (*b*) The stocks of raw material purchased with the loan may be taken

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as pledge, to the extent possible. (*c*) Where feasible, advances made for the purchase of raw materials may be effected in the form of payments to the suppliers of raw materials. (*d*) For the liquidation of the dues to the bank, it may be arranged, if practicable, that the purchasers of finished products should make their payments to the bank direct.

69 The purchasing departments of Government, both in the States and at the Centre, should make every endeavour to settle expeditiously, the bills for goods supplied to them by industrial co-operatives 30

70 The Government should arrange for a speedy settlement of all the claims of weavers' societies and other co-operatives which are entitled to the reimbursement of rebate. 31

71 A concerted drive should be organised for promoting thrift and collecting savings from individual members of industrial co-operative societies 33

IV. MARKETING

(Chapter VI)

72 Standardization schemes should be drawn up and enforced by the departments of Government concerned, with the help of the Indian Standards Institution, at least in respect of the major products of cottage and small scale industries 9

73 Arrangements should be made for the provision of financial accommodation on a specially liberal scale to industrial co-operative societies to enable them to hold stocks of finished products, when necessary, in sizeable quantities. 10

74 The following assistance may be given to co-operatives for cottage and small scale industries in purchases made by Government departments and institutions . . 11

(*a*) Apart from a general preference provided for products of cottage and small scale industries, a further marginal preference may be shown to the products of industrial co-operatives as compared with private units at least in fields of intensive co-operative organization

(*b*) The decisions and directives of Government in this regard should be sufficiently clear and should not, in any manner, give room for evasion.

(*c*) It should be made clear to the various departments of Government that it is the accepted policy of the State to support industrial co-operatives through their purchasing programmes.

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(*d*) Wherever possible, all purchases of Government stores should be centralized in one Department of the State Government.

(*e*) Wherever an order is placed by Government or on its behalf, *e.g.* by the National Small Industries Corporation, industrial societies may be given, without delay, detailed specifications and such technical guidance and assistance as may be necessary.

(f) A list of goods produced by co-operatives of small scale and cottage industries should be drawn up and circulated periodically among heads of departments.

(*g*) Appropriate provision should be made for liaison between industrial co-operatives and the authorities of the State Government who make purchases for various departments.

75 Suitable machinery in the appropriate administrative department may be constituted, for bringing to the notice of large-scale industrial units, the products which industrial societies can manufacture for them, and to the notice of industrial co-operatives the type of products which might be required by large scale units and which could be produced by them 12

76 The National Small Industries Corporation and the Regional Small Industries Service Institutes should take a more active interest in providing assistance for co-operative societies 12

77 The schemes of the various all India Boards for publicity and propaganda should be extended to as many products of cottage and small scale industries as possible. Such publicity and propaganda should be undertaken on a larger scale than hitherto 13

78 The Government of India should make liberal annual contributions to the apex marketing organizations of the industrial societies so that they may undertake suitable schemes for advertisement, publicity, exhibitions, etc 13

79 With the help of our Embassies and High Commissioner Offices, foreign markets may be tapped for the promotion of sales of the products of cottage and small scale industries. Wherever there is sufficient scope for canvassing sizeable business, active steps may be taken to build up a suitable marketing organization, taking care that there is no avoidable duplication in such arrangement. 14

Serial No.		Chapter VI, Paragraph No.
80	Each State Government may draw up a list of industries for the products of which there is an assured demand for which specific orders can be collected from large-scale purchasers and efforts for the organization of industrial co-operatives may be specially devoted towards these industries	15
81	Fullest use should be made of the facilities for technical aid available from the Handicrafts Board and similar organizations, with a view to finding and cultivating a foreign market for handicrafts products. . . .	15
82	The management of the emporia run by State Governments or certain specialized organizations for the marketing of products of cottage and small scale industries may, wherever possible, be progressively transferred to suitable co-operative institutions	16

V. TRAINING AND EDUCATION

(Chapter VII)

83	The official and non-official staff connected with industrial co-operatives may, with profit, join any of the training institutions established by the Central Committee for Co-operative Training, choosing industrial Co-operatives as their optional subject . . .	4
84	The key officers of the proposed industrial apex marketing society will require training of a high standard which should be organised as a special branch of the Senior Officers' Training Course at Poona, with adequate emphasis on business management	4
85	Every State should open one or two training schools on industrial co-operatives for the training of junior co-operative officers and employees of industrial societies. Each of these schools may train 80 candidates per year in two classes of 40 each. The teaching staff might consist of a Principal and three Lecturers, one for banking, business management and book-keeping, one having experience in working out the programmes of the various All-India Boards dealing with cottage and small-scale industries and a third for industrial co-operatives, including co-operative marketing and supply. Concessions such as free tuition, monthly stipends, lump-sum allowance for tours conducted for practical training, etc. might be granted to candidates. In the initial stages, the entire expenditure on such schools should be met by the Government of India and the organisation and other matters connected with the establishment and running of these schools might be dealt with by the Central Committee for Co-operative Training	5

Serial No.		Chapter VII, Paragraph No.
86	The suitable agency to impart co-operative education to the members and office-bearers of industrial co-operatives will be the paid supervisory staff and the Block Level Extension Officers (Co-operation and Industries). These officials, who should visit the industrial co-operative often, and attend the meetings of their general body as well as of their committee, should not only provide guidance on specific problems and instruction in principles of co-operation but should also cultivate a business sense among the members .	6
87	The basic principles outlined in the pamphlet on "Extension work in the co-operative movement" by Prof. A. F. Laidlaw in regard to the recruitment and training of extension workers, methods of extension and the general approach to work of this nature should be adopted in connection with the programmes of Government for the development of industrial co-operatives.	6
88	The education programme for the members and office-bearers of industrial co-operatives should include instruction in regard to their special problems, organisational, administrative and financial, and the instructors should themselves be specially equipped for the purpose	7
89	Periodical conferences might be held to popularise industrial co-operation as well as to educate different sections of the public in regard to its problems .	8
90	Elementary instruction in co-operation may be provided in the high schools and advanced courses of study in the subject may be introduced in the universities in the degree and honours courses in commerce and economics. Facilities for research in the various aspects of co-operation may also be provided in the universities	8
91	The State Governments may, at an early date, undertake, with reference to the needs of their programmes for industrial co-operatives, a review of the arrangements for training and instruction of a technical nature, estimate the overall requirements in this field and take measures for their improvement to the necessary extent	9
92	Full use should be made of the existing technical training organisations. Greater publicity and effective liaison between the various technical agencies associated with the All-India Boards and the authorities in charge of industrial co-operatives are necessary and should be ensured.	11

Serial No.		Chapter VII, Paragraph No.
93	Increasing use should be made of industrial co-operatives for promoting the technical efficiency of cottage and small-scale industries by the introduction of improved methods and tools for production	11
94	Artisans of proved competence may be selected from among members of industrial co-operative societies and deputed to large industrial concerns in the country and in foreign countries, for training in improved techniques. Where a well developed co-operative society is in a position to provide such facilities to artisan members of other societies, the concerned society may be suitably remunerated	11
95	Even in courses which are strictly intended for technical training, co-operation should be included as a subject and the trainees might be taken round a few industrial co-operatives in the neighbourhood . . .	11
96	A careful selection of trainees for the training courses is necessary with reference to their background, prospects of future employment, etc. Preference may be given to candidates sponsored or recommended by well established industrial units or employers, including co-operatives	11

VI. ADMINISTRATION

Chapter VIII

97	For co-ordinated control and unified direction, it is desirable to keep the co-operative financing agencies and the societies financed by them under the administrative control of a single authority. As the pressure of work in regard to registration, financing, audit etc., increases, the Registrar of Co-operative Societies, whose responsibilities at present pertain mainly to agricultural co-operatives, may, in some States, have to be relieved of the responsibilities relating to industrial co-operatives, housing co-operatives, etc. and these latter duties may have to be passed on to others. Thus, within a State, there may be two or three Registrars dealing, say, with agricultural co-operatives, industrial co-operatives and other co-operatives. Duplication of office and field staff for these Registrars should, however, be avoided as far as possible. Where there are two or more Registrars of Co-operative Societies, the work of these Registrars should be properly co-ordinated by appointing a Registrar-General or by designating the senior Registrar as Registrar-General or by constituting the proposed two or more Registrars into a single Board with the Senior Registrar as Chairman	1

Serial No.		Chapter VIII Paragraph No.
98	In this administrative pattern which is suggested tentatively there should be room for designating, where necessary, the Director of Industries himself as the Registrar in charge of industrial co-operatives, though the detailed inter-departmental adjustments that this would involve, should be worked out very carefully.	2
99	Those selected for appointment as Registrar or Registrar-General should be persons with aptitude for co-operative work and should invariably be given practical training in this field for a period of six months . .	3
100	The Registrars of Co-operative Societies should not be disturbed from their posts before the completion of a minimum period of at least five years . . .	3
101	Liaison between the Departments of Industries and Co-operation should be established so that there is consultation between them in the formulation of their programmes and individual schemes and that, whichever department sponsors the organisation of a particular industrial co-operative, the guidance and help of the other will be readily available . . .	4
102	The Departments of Industries and Co-operation should ordinarily be placed under the same Secretary to Government and, if possible, under the same Minister.	4
103	The officers of the Industries Department as well as the field staff might be given a brief training in co-operation as part of any technical training which is arranged for them. In cases where this cannot be done, they should be given at least a month's course of lectures and taken on visits to co-operative institutions . .	4
104	At the district level, the Assistant Registrar of Co-operative Societies, who is in charge of all types of co-operative societies, should also be in charge of industrial co-operatives, but should be assisted, in this task, by a District Co-operative Officer, for industries or a Co-operative Sub-Registrar for Industries . .	5
105	An additional Assistant Registrar in the District to deal with industrial co-operatives alone might be appointed in those cases where their number and volume of activities are large enough to justify such an appointment. In such cases, co-ordination at the district level should be maintained by the seniormost Assistant Registrar in the district	5
106	There should be adequate subordinate staff for the inspection and supervision of industrial societies . .	5
107	The Block Level Extension Officers (Industries and Co-operation) should also be available for work relating to industrial co-operatives in the Community Development Blocks	5

Serial No.		Chapter VIII Paragraph No.
108	Gradually, as the apex industrial co-operative marketing society grows, it will be necessary, for ensuring co-ordinated development, that all such technical staff as are looking after industrial co-operatives should be transferred to this society from the Co-operative Department, the Industries Department and the other agencies employing such staff. It will be necessary that, for this purpose, the Government should continue to meet the cost of such staff till such time as the apex society is in a position to pay for their services.	6
109	Supervisory staff should be employed by the Co-operative artment in all States exclusively to deal with in-rial societies generally, at the rate of at least one ctor for every 10 societies	7
110	There should be adequate audit staff, generally at the rate of one auditor for every 20 societies of average size, for doing at least one audit per year. In the case of large societies, provision should be made for concurrent or interim audit, at the rate of one auditor for every 5 societies	8
111	As the audit of industrial societies is likely to be complicated and difficult, special training facilities may be provided for auditors of industrial societies . .	8
112	Periodical inter-departmental conferences may be arranged by the Registrar at which the problems of the development of industrial co-operatives can be discussed with the participation of the concerned departments .	9
113	The officials of specialised departments *e.g.*, the Public Works Department, the Forest Department, etc., may be invited to conferences of industrial co-operatives, so that they may have a better appreciation of the difficulties experienced by these societies and may also advise suitably	9
114	To ensure suitable allocation of funds for schemes connected with industrial co-operatives from out of budget allotments for departments other than the Co-operative Department, liaison between the heads of departments concerned and the Registrar will be necessary and should be secured	9
115	A senior officer with experience in co-operation may be appointed in the Ministry of Commerce and Industry, Government of India, with the necessary staff, exclusively to give active attention to the development of industrial co-operatives, and, among other functions, to pursue with the State Governments and others concerned, the implementation of the necessary measures recommended by us in this regard . .	10

Serial No.		Chapter VIII Paragraph No.
116	Every endeavour should be made to keep the State Co-operative Advisory Council informed of the activities of industrial co-operatives and to seek its advice and co-operation on important issues of policy in this sphere	11

VII. OTHER RELATED MATTERS

(Chapte IX)

(a) *Women's organisations*

117 Trained women organisers may be appointed for conducting regular propaganda among women-folk. The organisers should be carefully selected and trained in the principles and practice of co-operation, organisation, administration, accounts, etc., and also given technical instruction in a few impiortant industries . 2

118 In particular, the possibilities of organising women's co-operatives in respect of the following industries may be fully explored: 2

(*i*) Spinning and weaving
(*ii*) Mat-making
(*iii*) Embroidery
(*iv*) Tailoring
(*v*) Toy-making
(*vi*) Dolls manufacture
(*vii*) Bamboo products
(*viii*) Fish-net making
(*ix*) Hand-pounding of paddy
(*x*) Ornamental leather goods
(*xi*) Cosmetics manufacture
(*xii*) Making of thread ball, tape, ribbon, etc.
(*xiii*) Food preservation and canning.
(*xiv*) Pickles, etc

119 The State Governments may undertake a review of the concessions now shown to women's co-operatives and extend to them the necessary incentives and concessions. Where necessary, assistance may be given by way of financial accommodation, supply of tools and equipment, free services of managerial staff in the initial stages, preferential purchases of the products of these societies etc. 3

Serial No.		Chapter IX Paragraph No.
	(b) Co-operative Housing	
120	Such aids and facilities as are now available for providing houses and common facilities for weavers on a co-operative basis may be extended to other cottage and small industrial workers organized on co-operative lines, the particular type of co-operative industrial units eligible for help being determined in consultation with State Governments	6

J. C. Ryan

Chairman

D. K. Malhotra

*M. P. Bhargava

V. Subramanian

*L. C. Jain

P. M. Mathai

K. Subrahmanyam Nayudu

M. M. Vadi

H. D. Shourie

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K. P. Parameshwaran

Secretary

Bombay

Dated 15th July, 1958

*Subject to a separate note (pp 113 to 130)

To begin with, I should express regret at my inability to attend all the meetings of the Working Group. I could participate only in three meetings and owing to circumstances beyond my control, I could not attend the other meetings.

2. I have carefully examined the recommendations in the main report in the light of the terms of reference given to the Working Group and would like to make some observations on the recommendations contained in the main report governing the basic approach to the problem of development of Industrial Co-operatives. My observations can be broadly classified under the following heads :

(i) Relaxation of Co-operative Principles

(ii) Arrangements for provision of credit

(iii) Provision of marketing facilities

(iv) Administrative set up.

3. *Relaxation of Co-operative Principles*:—According to the main report, experience in organisation and working of Industrial Co-operative Societies has shown that a strict adherence to Co-operative principles is difficult and some adjustment or relaxation is, therefore, called for atleast for a time. The relaxations suggested are :

(*a*) Non-workers may be admitted as sympathisers provided that (i) their number does not exceed ten per cent of the total membership (ii) care is taken to see that sympathisers are genuinely interested in the workers' welfare ;

(*b*) Separate representation may be given to workers and sympathisers ; in the latter case, not more than 25% of the total number of Directors may be allowed ;

(*c*) Conversion of proprietory concerns into Co-operative societies should be welcomed and encouraged ;

(*d*) There should be no objection to register an Industrial Co-operative of small entrepreneurs prvided (i) that the workers employed are also admitted as members and (ii) no entrepreneur employs more than 10 workers ;

(*e*) Ordinarily the Registrar should not nominate more than a third of the board of Directors including the President of the Society, if necessary, for the first 3 years ;

(*f*) In exceptional cases where the members constitute a heterogenous group, the entire Board may have to be nominated for the first 3 years after obtaining special sanction of Government.

4. Any scheme designed to secure enduring benefits to the movement should, I feel, be based on sound principles as far as possible from the very outset. This is not, however, meant to suggest a purely doctrinnaire approach to the problem. It is necessary in this context to examine the need for relaxation of Co-operative principles enunciated in the third chapter of the report and also the extent to which such relaxation is called for. The main report proceeds on the premesis that the worker members of the Industrial

Co-operatives, owing to their low standard of education and inadequate appreciation of their responsibilities as members of the Co-operative Societies, may not be able to provide leadership, capital, managerial ability or outside influence in the measure necessary for success and the with our rapid programme for industrielisation of the country on a Co-operative basis, we can scarcely afford to wait until workers are trained in the Co-operative principles and methods of doing business. From these assumptions, the conclusion has been reached that adjustments set out in para 3 above are necessary atleast for a time. I am unable to agree entirely with this diagnosis of the problem and consequently with the recommendation of relaxation of Co-operative principles.

5. One of the important terms of reference given to the Working Group was to suggest measures to ensure the accelerated development of Industrial Co-operatives with special reference to the objectives and programmes of the Second Five Year Plan. The policy regarding Co-operatives has been outlined in Chapter X. The role of Co-operatives has also been discussed in the Industrial Policy Resolution dt. 30-4-56 which states that "the principle of Co-operation should be applied wherever possible and steadily increasing proportion of the activities of the private sector developed along Co-operative lines". It has no-where been suggested that development of Co-operatives should be attempted at the cost of essential principles of Co-operation. I feel that such relaxation may even lead to the growth of spurious types of Co-operatives with for reaching unhappy consequences.

6. The assumption made in the report that the standard of education of industrial workers is low, is, of course true, It may also be true that some of the industrial cooperatives failed as a consequence of the lack of appreciation and understanding of the co-operative principles and objectives by the members ; but it may not be correct to draw general conclusions from the experience of few such societies and to presume that the worker-members cannot be trusted to manage their affairs, and non-worker sympathisers should, therefore, be admitted as members to hold the workers together and guide them. Instances are not wanting where sympathisers have been responsible for wrecking the societies. Thus, when the efficacy of the proposed system of admitting non-worker sympathiser members is itself rather uncertain and is fraught with risks, it is doubtful whether such admission of sympathisers and gving them weigtage on board of management of Co-operative Societies is justified.

7. The other proposal contained in the main report that of accelarating the pace of development of industrial co-operatives entrepreneurs may be admitted as members and proprietory concerns may be converted into co-operatives is even more dangerous. The main report, of course, recognises the possible risks involved in associating entrepreneurs with the society and sufficient safeguard have, therefore, been suggested to protect the interests of the societies and the worker-members. One such safeguard suggested is that entrepreneurs as well as the workers employed by them should be admitted as members and that no special privileges should be accorded to the entrepreneurs. One should be wary of such entrepreneurs who volunteer to embrace co-operation abdicating all their privileges.

8 In this regard the experience of some of the co-operative farming societies in this country has certain valuable lessons to offer. There are many Co-operative farming societies in which big cultivators, land-lords and

others with a spirit of enterprise got admitted mainly to circumvent the land reform legislation, to save their land from the imposition of ceiling or to get additional benefit in the shape of land or/and financial assistance. Non-working entrepreneurs dominate the affairs of these societies and workers who are enlisted as members have hardly any voice.

9. Co-operation can succeed and the spirit of self help and mutual help can be forstered only among equals or near equals. Psychologically, it is hard to expect the workers who have hitherto been serving under these entrepreneurs and depening on them for maintanance to assume equality and participate in the management on equal terms. The safeguard of 'one man one vote' in such cases generally turns out to be a myth because the one vote of the entrepreneur is good enough to sway the rest.

10. Proprietory concerns for small scale industries *viz.* partnership firms and joint stock companies are liable to pay income tax and other taxes. Co-operatives, on the other hand, enjoy certain tax concessions and privileges. In addition concessions from public exchequer in the shape of libral loans at reduced rates of interest, subsidies etc. are provided to the Co-operatives. It is essential, therefore, that the State should ensure that the resources provided by it or concessions granted are utilised for promoting the welfare of small man. If entrepreneurs are allowed to join freely it should not be a surprise if they, rare exceptions apart, utilise the resources of the industrial co-operatives for personal benefit or for the advantage of their family and friends. It is for these reasons I do not favour relaxation of co-operative principles as recommended in the main report.

11. The Industrial Co-operatives, of course, require financial support technical assistance and facilities for marketing and these should be adequately provided for. As for financial assistance, the main report recommends that loans be given by the State Government to the individual members to enable them to contribute to the share capital of societies. It also recommends that the State should contribute to the reserve fund. The main report does not favour State partnership for the reason that unlike agricultural credit societies where the members will be able to contribute about 50% of share acpital, in industrial co-operatives the workers may not be able to do so and as such the State Govt. may have to take larger share and that this may make the society more a state organisation than an organisation of workers. I am unable to share this view.

12. In the context of the national objective of socialistic pattern of society and the consequent expansion of state's economic activity, it is appropriate and necessary that the State should careate a favourable atmosphere and provide the requisite fillip to the co-operatives. I consider that this can be done effectively if the State enters into partnership with the co-operatives and comes forward to share their risks. The principle of State partnership has already been accepted in the agricultural sector for credit societies, Marketing and Processing Societies and collection of matching contribution by the cultivators is not an essential condition. In fact the necessity of state contributing mjor portion of the share arises because the small cultivators or artisans find it difficult to collect the necessary share capital in the initial stages. The essential basis of state partnership is 'assistance and not interference or control'. The co-operatives should, therefore, have the option to retire the share capital as soon as they have acquired sufficient vitality and strength. Even

if the State becomes a major partner the management of the co-operative rests with the directors elected by the share holders. To provide technical and general guidance, the State nominates only three directors all of whom need not be officials. Even these directors are not to interfere in the day to day affairs of the society and have no special powers to veto majority decisions. With these safeguards there is no reason to presume that, with major State partnership the industrial co-operatives will tend to become State organisations and that they will be controlled or dominated by the officials of the Govt. Departments.

13. While rejecting the principle of State partnership the main report recommends nomination of a board of directors and the President wherever necessary. Nomination of the entire board has been favoured in exceptional cases.

I feel that the State should not reserve for itself the right to nominate the President or the entire board of directors. Such a policy would deny opportunities to the workers to undertake and shoulder responsiblity and thus fail to evoke their initiative and enthusiasm vital to the growth of the movement. Co-operatives can progress and efforts to organise, vitalise and strengthen them can succeed only to the extent that we are able to enlist the support of the people and the programme is accepted by them as their own.

14. *Arrangement for the provision of credit*:—After suggesting that financing of industrial co-operative should be through institutional agencies and that a variety of institutional arrangements in a vast country like ours could be envisaged, the report makes two recommendations :

(i) "Ordinarily it is to a Cooperative Central Bank (and State Co-operative Bank) that an industrial Co- operative society should turn for its credit requirements" and (ii) "wherever the Co-operative Banks are :not for one reason or another in a position to finance the industrial Co-operatives they may be financed by the State Bank of India."

15. Even though the Central Co-operative Banks have in the past not shown sufficient sympathy towards the problem of industrial co-operatives, a distinct improvement in their attitude is expected in the main report. The absence of sympathetic response in the past from the Co-operative Central Banks has been attributed to (i) predominance of agricultural interests in the management and (ii) fear of risk in financing industrial co-operatives. For inducing the Co-operative Bank to take greater interest, certain incentives or concessions are recommended. These include guarantee by State Govt. of repayment of loan, to meet part of the losses for specific period of time for particular industries or circumstances, subsidies for special managerial and supervisory staff etc. Other measures such as formation of separate committee for industrial loans within the bank and earmarking of funds have also been suggested.

16. I feel that even if the above recommendations are accepted and implemented, it is very doubtful if Co-operative Banks will be able to make a significant contribution within the next 5 years or so in providing the much needed credit for industrial co-operatives. This is due not so much to the inability or unwillingness of Co-operative Banks to meet these obligations. Many of them are genuinely keen and sympathetic. There is, however, another important factor which sets a limit to their action in this direction.

Many States Co-operative Central Banks are not yet well equipped to take up the responsibility even for providing production credit to the cultivators. Administrative changes re-organisation and consolidation of the Central Bank is taking place and the Reserve Bank of India is making vigorous efforts to accelerate the pace. Nevertheless, the fact remains that in the Eastern Region, Bihar, Bengal, Assam, Orissa and even in U.P. the rate of progress is slow. The conditions in Rajasthan, Kerala and M.P. are not very dissimilar. The concept of providing credit to small and medium farmers on the basis of anticipated crop without the security of property calls for a change in the outlook, requires a break from past tradition, and acceptance of new values not only by the Board of Directors but by each and every member of the staff. This is not an easy task and continuous and persistant efforts are needed to get the desired result. This change will doubtless come about, but will take place only gradually.

17. The management of Co-operative Banks in States mentioned above, which account for 2/3 of the total population in the country may not be able to shoulder additional responsibility for financing industrial co-operatives and there is danger that as a result of the strain imposed both the programmes of credit (i) for agriculture and (ii) for small scale industries may suffer. It would therefore be more realistic to assume that, by and large, Co-operative Banks will not be able to finance the industrial co-operatives and that other institutional agencies will have to be pressed into action.

18. In this connection the State Bank of India's role in financing industrial co-operatives in an increasing measure has to be considered. It has offices all over the country and has a further programme of branch expansion. It has large resources, a part of which can be used for financing industrial co-operatives. The staff of the State Bank can be trained and its policies, if necessary, can be further reoriented. The main purpose for which the State Bank of India was established was that it should take active interest in providing credit to the rural people—farmers as well as artisans. The following statement made by Minister of Revenue & Defence Expenditure, while moving the State Bank of India Bill in the Lok Sabha on 23-4-55 is relevant in this connection.

"These 400 branches of the State Bank of India and more that will follow—will cater not only for the agricultural credit requirements but also serve the interest of rural industries—small scale industries and cottage industries. This House has on many occasions shown its interest in the rural industries, small-scale and cottage industries. Moreover, it is admitted that it is perhaps the only way to speedily solve the problem of unemployment. It is not possible to create ten or twelve million jobs through big industries; at least it is not as easily possible otherwise as it is possible through rural industries. All these 400 rural branches of the State Bank will also help these rural industries." There should be no hesitation in pressing into service the State Bank of India and the main responsibility for providing short term and marketing finance to industrial co-operatives should, therefore, be assigned to the State Bank of India. It is important to note in this connection that a simple and convenient procedure should be evolved to ensure quick and prompt provision of credit to industrial co-operatives by State Bank of India.

19. *Provision of Marketing facilities*:—In the main report, establishment of Apex Marketing Society has been recommended for every State. As it would be difficult for such a society to discharge its functions from the Headquarters, it has been suggested that apex Society should open branches in each District and if necessary in the interior. A branch is to be assisted by an Advisory Committee nominated by Apex Society for three years. Each branch would have a manager, other office and field staff which is expected to cost 0·57 lakhs annually. This includes rent for godown-*cum*-sales depot. This cost is to be subsidised by Government.

20. Opening of a branch by Apex Co-operative Organisation may be justified under very exceptional circumstances, such as lack of local leadership or enthusiasm. The Co-operators in this country have, however, advocated decentralised Co-operative democracy and the idea of developing cottage industries is also to have a broad based decentralised economy. In the credit sector separate Central Co-operative Banks are functioning in most States. Branches of the Apex Banks started in the past are being converted into District Banks. In the sphere of marketing, societies with elected board of directors have been favoured. 'Nominated' and 'Advisory' Committees usually lack representative character. As such they would find it difficult to sustain the confidence of the members and their utility would be very much restricted. A union of primary industrial co-operatives can , on the other hand, help considerably in discharging the following functions which are envisaged for the branch of Apex Marketing Society.

(i) Supply raw materials and equipment

(ii) Take over finished products for sale

(iii) Recommend loans and advances to the affiliated units.

I therefore suggest that instead of starting the branches separate District Co-operative Units should be organised.

21. Before forming such units the prospects of securing business should be carefully surveyed and it should be examined whether any other existing Co-operative unit can take up these functions. For instance in some areas a primary marketing society might come forward to do the work. In other centres even if it beecomes necessary to have a separate society, care should be taken to see that facilities offered by other institutions are fully availed of. In this connection it is necessary to refer to the storage facilities that the Central and State Ware Housing Corporations might provide at important commercial centres. The Industrial Co-operatives should, instead of renting godowns or building them, patronise the Co-operative warehouses as in the long run this would be more convenient and economical. Warehouse established under the Agricultural Produce Development and Warehousing Act may not, under the existing provisions be able to accept all the items offered by the Industrial Co-operatives for storage. If necessary the Act may be amended. This is essential for fuller utilisation of warehousing facilities and avoiding wasteful investment.

22. I feel that if marketing efforts made by various Boards, State Governments and Co-operative institutions could be more fully coordinated the sales can be increased, costs can be reduced and the standard of services and efficiency can be improved considerably. In large cities it is

not uncommon now to find separate sales depot of various State Governments or major industrial co-operatives. In addition shops supported by the various boards exist side by side. A customer who wants to patronise the products of small scale industry or village industry, has, therefore, to go in search of several sales depots some of which are located in out of way places and in some of which the standard of display and salesmanship is not always sufficiently of high order. Well managed depots or emporia could also be found in the same neighbourhood. If there is an agency or organisation to foster exchange of experience and knowledge among the various agencies and institutions which are established for marketing the products of small scale industry a great deal of improvement can be brought about and each improtant city should have a coordination committee for the purpose.

23. *Administrative set up*:—After stressing the need for a single authority for all types of Co-operative societies, it has been stated in the main report that in some States division of administrative responsibility in respect of cooperative societies is becoming unavoidable because the pressure on the time and energies of the Registrar of Co-operatives is increasing. To remedy the situtation the report tentatively suggests that

(*a*) The Registrar of Cooperative Societies who deals generally with agricultural co-operatives may be relived of responsibilities reating to industrial co-operatives;

(*b*) A separate Registrar be appointed for the industrial co-operative (a Director of Industries may be so designated if necessary);

(*c*) There may be another and separate Registrar for co-operatives falling outside categories mentioned in (a) and (b) above;

(*d*) Where there are two or more Registrars their work should be co-ordinated by (i) appointing a Registrar General (ii) designating the Senior Registrar as Registrar General or (iii) constituting the Registrars into a single board with Senior Registrar as Chairman.

24. The approach of the Committee to administrative arrangements and to the relationship between the various departments has been further clarified in paragraph 9 of Chapter VIII which discusses the methods of liaison between the officials incharge of industrial co-operatives and those dealing with the problems of various industries sought to be organised on co-operative basis. For this purpose it has been recommended among others that 'officials of specialised departments' may be invited to conference of Industrial Co-operatives so that they may have better appreciation of the difficulties experienced and also advise the department-incharge of industrial co-operatives suitably.

25. Although the development of Co-operatives as distinct sector in our economy is a national objective, the present administrative system as well as the recommendations of the main report are not likely to foster the rapid growth of co-operative sector. The general impression among various departments is that promotion of Co-operatives is the responsibility of Co-operation Department and that others have little or no role to play. Most Government departments such as Public Works Department, Irrigation, Forest, Agriculture, Food etc. are traditionally used to getting things done through a contractor, middle man or a trader. Wherever this is not feasible, programmes are executed departmentally. Exceptions apart, the

experience has been that co-operatives have not been pressed into service to the extent it would have been possible for the various departments and, as observed by the Planning Commission 'there have been occassional complaints to the effect that while the State sponsors co-operative societies and desire to accord them preference, in actual practice agencies other than co-operatives often receive better treatment from a number of departments. This situation has come about largely because of past tradition and administrative system and not much has been done in the last ten years since independence to allocate to the departments concerned the responsibility for utilising increasingly the cooperative form of organisation. If the co-operative method is to be widely used in our programmes every department and its officers must accept the approach and be held responsible for implementing the same. If on the other hand, as suggested in the main report only a couple of departments are 'incharge', the progress is bound to be slow and disappointing. I, therefore, recommend that instead of increasing the number of Registrars, the responsbility for promoting co-operatives should be squarely be that of every head of department in so far as the activities of his Department are concerned and in assessing his performances, the extent to which he has used the co-operative technique should be an important consideration. I realise that the various heads of departments may be not familiar with the details of co-operative law or procedures. To help them in this regard every department should have a small co-operative cell, the strength of which should be determined in the light of the actual programme. Officers required for the cell might be provided by the Co-operative Department which should select the men carefully and give them proper reorientation.

M. P. BHARGAWA.

I have taken the liberty to append this separate note, not so much with a view to striking a different chord from my colleagues, but to give honest expression to my own understanding and convictions.

2. During parawise discussions at Bangalore of the draft report which one of the members of the Group was kind enough to prepare, we had to conclude the discussion and controversies, somewhere, to be able to proceed with its finalisation. But when the final draft was ready and discussed at one sitting—I recoiled against the compromises which had to be made on account of limitation of time. For, as usual, such point by point compromises have had the effect of detracting from some of the essential and basic points.

3. Sometime back an officer of the Ministry of Community Development reported that the formation of Industrial Cooperatives in Khadi & Village and other cottage industries did not make headway as Registrars of Cooperatives in certain States were reluctant to register such cooperatives. The main reason for their reluctance was reported to be the weak economic position of these industries as most of them are dependant on some sort of subsidy or rebate. It was this report which finally led to the setting up of the Working Group to suggest measures to accelerate the growth of co-operatives and to expedite their registration etc.

4. A perusal of the foregoing report would show that most of its recommendations are really intended for light engineering industries being carried on or to be set up on a small scale. As regards khadi, village

and other cottage industries the report has laid down in Chapter III paragraph 22 "Tests for registering a society" and paragraph 23 "Liberalisation of these tests for certain industries." The effect of recommendations in these two paragraphs would be that no co-operative societies can really be registered in these industries for several years to come until we can be satisfied about the economic soundness of these industries. At the present stage of development none of the village and cottage industries, including the handloom industry, are in a position to maintain themselves without the subsidy, rebate and other measures of protection currently extended to them. Even in the conceivable future say next 3—5 years there is no prospect of our being able to develop these industries to a state of economic soundness which would satisfy the requirements of various tests recommended by the report.

5. It is a pertinent consideration that where the economic position of certain industries is weak, the cooperatives units in such industries would also remain weak. However, this was a fact which was known even before the setting up of the Working Group. What was required of the Working group was either a clear recommendation that in view of the weak economic position of these industries, which is likely to continue for several years, any ambitious ideas of rapid development of Industrial Cooperatives in this sector should be given up, or if inspite of the weak economic position of these industries cooperativisation was important from other points of view, then a definite recommendation should have been made that there should be no reluctance to register such cooperative societies inspite of their weak economic condition.

6. As it is the report does not face this question and, in my view, has left practically untouched the problem relating to cooperative development in these particular industries (village, khadi, handloom, handicrafts etc.)

7. I would not also hesitate to mention that during our discussions not only was diffidence expressed about the success of the cooperative societies in these industries on account of their weak economic condition, but also repeated reference was made to the trust-worthiness of the artisans themselves and their capacity for self-governance of their respective co-operative societies. Some of the recommendations, that have been made such as the relaxation of cooperative principles and government having the power to nominate Boards of Management are thus the result of this thinking.

8. I suggested to the group and would reiterate my suggestion that if immediate formation of cooperatives (in respect of these industries) is beset with so many doubts and difficulties, we may as a first step bring the artisans and craftsmen into a simpler form of association than a co-operative society. Such associations could be registered under the Societies Act—and recognised by different Boards and governmental agencies. These would be more or less analogue to Workers guilds which have now become extinct for lack of proper effort. Such associations would revive corporate activity and inculcate cooperative consciousness among the artisans. These would also serve as channels for assistance to artisans through various Boards and agencies.

9. Whenever, conditions and consciousness have reached a satisfactory level the associations might transform themselves into cooperatives.

10. This alternative suggestion did not find favour with the group and instead it has been recommended (in para 6 Chapter III) that to suit the situation, cooperative principles themselves would have to be relaxed. I am unable to subscribe to this view.

11. Cooperatives are distinguished from other forms of organisations primarily because of the set of principles that govern them. The value of an agricultural or an industrial undertaking does not change whether it be run by an individual, joint stock company or a cooperative. But a cooperative ceases to be so, when the very principles which are its soul and essence are subordinated to suit the needs of commercial, banking and bureaucratic expendiencies and to conform to ill conceived ideas and policies.

12. The report says. "....we in India, with our programmes for the rapid industrialisation of the country *on a cooperative* basis, can scarcely afford to wait untill workers are trained in the principles of cooperation".

13. If we want 'rapid industrialisation' of the country *per se* there is no point of conflict or contradiction that is involved. But if want this development on "cooperative basis' then we commit ourselves to the development of not merely the industries but also the human beings, the artisans, who are to be the members of these cooperatives. I do not see how co-operatives can be developed regardless of the human factor whether we are able to afford to wait or not.

14. Building of cooperatives is not merely the creation of a legally constituted paraphernalia. It is essentially a process of building people and a form of social and economic organisation which is conducive to the growth of self reliant and self respecting individuality.

15. In fact, the whole trend of recommendations is rlax the cooperative principles; strengthen control, supervision and the beaurocratic apparatus; strengthen the supervisory staff of the Banking Institutions; nominate the Boards of Management of the cooperatives partly or fully on contravention of the principles of democratic election of such managements—because the artisans are neither engaged in economically satisfactory occupation, nor are trust-worthy nor ready for cooperative action not would acquire understanding of cooperative principles within the time for which the working group can 'afford to wait'.

16. If the situation for other reasons is such that a cooperative cannot be formed and run without relaxing cooperative principles themselves or where artisans cannot be trusted to elect their own management, then again in my view, the answer lies in our adopting not the cooperative form of organisation to start with but some other form of organisation like a registered association or even a completely state owned apparatus.

17. If the state itself is to become an instrument and intiator of a policy and its countrywide practice, of relaxation of co-operative principles—there

is no knowing where the cooperative movement will actually end up. There is already a danger that in various cooperatives human weakness will tend to subvert cooperative principles. The role and duty of the state in such a situation should be to demand and create conditions for a greater observance of these principles rather than providing a lead in offending them.

18. The suggestion to nominate Boards of Managements of co-operatives again shows complete disregard of the value of co-operative endeavour. The essence of cooperative endeavour lies in its being a self governing institution ; in the dignity that it imparts to an individual who is otherwise disrespected, exploited and bossed. The least we can do is to let him alone—if we are not bold and imaginative and willing enough to trust him and to let him make mistakes. If we are affraid of losses through self-management by artisans then we must question our own bonafides. These very artisans, who elect the state legislators and Parliaments, who entrust to the State & Central Governments hundred and thousands of crores of Rupees and powers of legislation and bureacratic control over their destinies are considered unworthy and unfit by their own government of being trusted even to a smaller degree, and with paltry sums of money. The money and manpower we are ready to spend on control, supervision, inspection and administration does not touch our conscience—perhaps for the simple reason that we are so convinced in our distrust of the small men. Yet it is this very machine, we create and maintain at the cost of the exchequer which is an instrument—to a large measures—for many of the wrong things that members of the cooperatives are at one time or the other accused of. When it comes to money and man power being placed at the disposal of the cooperatives to increase their resources and capacity to do a better job of their respective business, the cooperatives are so often told of the need for them to become self supporting and independent of government aid and the shortage of men and money is cited as an additional argument.

19. The basic purpose and the methods we employ to achieve it have to be clearly defined and evolved. I am not against state enterprises—In fact I urged during our discussion innumerable times that if the cooperatives are not feasible in the present situation and the suggestion of associations and guilds of artisans is not acceptable then we should forget about cooperatives and guilds and take up the activity on behalf of the state. But let the state-directed and partnered institutions be palpably clear state organs. Any one who has respect for cooperative principles will insist that cooperatives—if they are not peoples voluntary, self governed institutions, must not be called cooperatives and the identities of state and cooperative bodies must be maintained separately till such time as cooperatives can really take over and come into existence in accordance with accepted principles.

20. I am not in favour of government nominating the Board of Management of a Cooperative Society, fully or partly—under any circumstances. If a cooperative borrows funds from government, and government wants one or two of its representatives to be associated with the Managing Committee and ask for periodical reports on the working of the society and audit reports on its accounts—I have no objection whatsoever. But if these safeguards are not enough for the government, let us give up the use of cooperative principles altogether rather than relax cooperative principles and weaken the very foundation of trust on which alone cooperatives can really be built and sustained.

21. We have further to consider the growing powers of the Registrars and the expanding administrative machinery he wields. Today, we are developing cooperatives in almost all aspects of economic and social endeavour. The very number of cooperatives is increasing day by day. Most of these cooperatives consists of members who are otherwise not well informed and do not have any means of articulation. The cooperative department and the Registrars have a say in practically all aspects of the life and working of these cooperatives. Not only do they have a say but they are armed with legal functional and even financial control over these cooperatives. They nominate even Boards of Management partially or fully, they inspect and supervise.

22. One must pause to think whether this structure is reflective of a democratic or an autocratic trend. What control or counter-balancing factors have been provided or are being provided to keep in check the vast powers which the Cooperative Registrars and Cooperative Departments are acquiring over the institutions of the people?

23. I had suggested during discussion that the Registrar of Cooperatives should be placed under an elected body consisting of representatives of Cooperatives, legislatures and the public. It is not enough to say that ultimately the Registrar is under a Minister of the State Cabinet which is elected by the people. The Cooperative department extends into the lives and day to day business of the people more than any other department. It is also a department which is only meant to be a service department. There must be special safeguards provided, therefore, to keep this particular department under the constant vigil of the people whom it is intended to serve.

24. In the chapter on Credit—a very grudging concession is made to the development of Industrial banks. This is made more conspicious by the fact that excessive reliance has been placed on all other banking agencies despite the hopeless support given by these agencies so far to Industrial cooperatives. I am all for support and assistance to existin. banking agencies willing to extend credit to Industrial cooperatives. But most of the Central Cooperative Banks do not seem to be in a position, by reason of their aptitude and interest, apart from anything else, to finance industrial cooperatives. It is, therefore, in my view, not enough to put all our technical men (and money to employ them) at the disposal of such an agency.

25. The banks required for industrial cooperatives today are not meant merely to perform day to day transactions for some cooperatives which already exist. But they are required to facilitate the growth of industrial cooperatives and to inspire confidence in the artisans and craftsmen that if the latter were to move away from the control of the middlemen, there is a sympathetic and prompt banking body to which they can reliably turn for finances. I am, therefore, of the view that a much bolder policy of promoting industrial cooperative banks should be followed than has been suggested in the report.

26. Another controversy which is current these days is 'institutiona credit-versus government financing'. The financing of cottage and smal industries has suffered so far not so much for want of capital at the disposal of the banking agencies (private or cooperative) as for want of concern about the cottage industries. Where some (rarely) banking agencies were

sympathetic, they were not technically equipped to assess the problem of the cottage industries and to provide technical assistance to the artisans or their cooperatives to ensure that the funds provided were used in the most productive manner.

27. Any success which has been made in the last few years in the financing of these cottage industries has been a result of the combination of concern, technical advice, credit and marketing services offered by the various small industries Boards set up by Government. Any structure which would place credit in the hands of one agency and technical services in the hands of another is bound to reverse the advance already made. The answer in my view, lies in combating red-tape or delay which may exist in the operation of these Boards etc. rather than breaking up the integrated approach and treatment of the problem which the various Boards and the Khadi Commission etc. have attained after several years of experimentation and effort.

28. The report initially admits that no banking agency will touch these industries, unless someone will first develop them, finance them, make them viable enough for the banks to lend money with complete safety and an assured profit. Yet it proceeds with conviction to eulogize the virtues of institutional credit and recommends its adoption as early as possible, and suggests all kinds of administrative and technical services being placed under the various banking agencies. It is doubtful whether we have enough technical hands to scatter over a plethora of agencies and create duplication.

29. I suggest that the present practice of the Khadi and Village Industry Commission and the various Boards should continue to provide funds together with technical and marketing and other essential services. Any red-tape or delay in their operations should be removed. The various Boards and the Commission should contribute funds to Industrial Cooperatives Banks of which at least one in every state should be promoted. I had cited the example of Japan where the government took initiative to set up the Central Bank for financing Industrial and Commercial cooperatives. The entire capital was subscribed by Government of Japan.

The control should be made over to the representatives of various Small & Cottage Industries Boards and cooperatives to ensure that they really and effectively serve the purpose which they are now exhorted to do. The State Bank of India be also urged to play a more active role.

30. I have had an opportunity to see the note which my colleague Shri M.P. Bhargava has given. I would also like to endorse what he has said with regard to credit, marketing and the administrative set up.

31. I would also like to mention that the model bye-laws for Industrial Co-operatives appended to the report were not discussed and considered by the Group at any stage. When we assembled at Bombay to sign the report I found that the byelaws have been appended with the final draft at the instance of the Chairman. I suggested that if the group was required to suggest model byelaws as part of our report then we might discuss them before they could be included. The Chairman ruled that since I alone had raised the objection the byelaws will be retained and I could record a separate note. This was an extraordinary procedure followed

and I would like to record my objection to both the procedure that was followed as well as the inclusion to the byelaws themselves which we did not even consider. If the working group expects the cooperative societies to follow these model byelaws the least it can do in such an important issue was to make a due examination. The only consideration given by the group unfortunately in this matter was a majority vote.

32. The report has also recommended that the principle and practice of state partnership in the share capital may be extended to federal and apex bodies of industrial cooperatives. A number of cooperators in the country have seriously objected to the practice of government partnership in the cooperative movement. Many cooperators in the country have been opposed to the idea of state partnership in the movement ever since the idea was first mooted by the Rural Credit Survey Report. However, in spite of their opposition the Government decided to launch on state partnership in agricultural cooperatives. There are no published reports available so far to show how far this has worked in actual practice. Recently in April, 1958 at the New Delhi session of the All India Co-operative Congress the Prime Minister voiced the views of many cooperators in the country when he repudiated the idea of state partnership in the cooperative movement. In view of the opposition of cooperators to the idea of state partnership, the latest statement of the Prime Minister on the subject, and in the absence of any report on the working of this practice in the past few years, I am not able to subscribe to the recommendation relating to state partnership in Industrial Cooperatives. The government should be able to assist the cooperatives with funds without the government becoming a partner in the organisation so that cooperatives can grow with freedom as truly democratic organs in our society.

L. C. Jain

I do not propose to make any detailed comments on the separate notes of our colleagues, Sarvashri M. P. Bhargava and L. C. Jain, as most of the points raised therin were fully considered, at one time or another, during the discussions of the Group and the relevant views and conclusions of the Group bearing on these points have been set out at appropriate places in the Report. I intend, therefore, dealing briefly with only a few points in this note.

2. It is a matter for regret, as Shri Bhargava says in his note, that he was unable to join us in several of our discussions, particularly those at Bangalore at which the draft report was finalised. Had he been present, he would have felt satisfied that we did take into account and debate some of the points now made in his note before we arrived at the conclusions recorded in our report.

3. It is obvious that the tasks which we have set for ourselves in the context of national economic planning, render, re-thinking in respect of some of the concepts associated with the economic and social framework of our community necessary. The basic fact is that we have to proceed rather fast in our march towards economic development and social justice if we are to meet the challenge posed by the general poverty and backwardness of large classes of our people. The basic method is that the resources of the democratic State and resources of the better-to-do should be harnessed for the uplift of the less privileged sections of the community. If we are agreed that the co-operative organization of cottage and small scale industries is one of the effective means of their socio-economic betterment, conditions for the

success of such co-operatives should be created and if slight or occasional departure from orthodox co-operative principles or practices is rendered necessary to ensure their success, we need not fight shy of it. A flexible and realistic approach is necessary in dealing with a field of economic endeavour (such as industrial co-operatives) which has not yet recorded much progress, and co-operative idealism can subordinate itself, in a transitional phase of development, to co-operative realism without detriment to the interests concerned.

Thus, although self-help is a fundamental principle of co-operation, it is known that most co-operators demand all-out assistance of the State for the co-operative movement. This only emphasises that a practical approach is justified in the context of a democratic State pledged to the promotion of the co-operative movement. If, therefore, a broad view is taken of organizational and promotional aspects of industrial co-operatives, there need be no objection to assistance or partnership by the State or, with the conditions and the safeguards suggested by us, to the admission of entrepreneurs to the memebership of industrial co-operatives. I do not suggest that there is no risk of such facilities being abused; and it is because of our awareness of such dangers, that we have emphasized the need for vigilance on the part of the members as well as the co-operative department and for measures to prevent possible abuse.

4. As regards the provision for enabling the State to nominate the entire board of directors, it has nowhere been suggested by us that this should be the normal arrangement. If fact, we have taken care to recommend that such powers should be exercised by the Registrar of Co-operative Societies only in exceptional cases and with the special sanction of Government. This arrangement, transitional as it is, agreed to by the applicants and embodied in the bylaws, has been in vogue in some of the States for several years and has on the whole worked well. Experience has shown that, in certain circumstances, *e.g.* where members constitute a heterogeneous and, in some measure, illiterate group, nomination of the first board of directors has helped to give an industrial society a good start.

5. Shri Bhargava says that, in view of the known weakness of the co-operative banking structure in several states, the main responsibility for financing industrial co-operatives should rest with the State Bank of India. While we have appreciated the substance of this view in several cases and have, therefore, assigned a role to the State Bank in cases where co-operative banks, for any reason, cannot finance industrial co-operatives, it seems to us only reasonable that, wherever it is possible, the financing of industrial societies, as that of other co-operatives, should remain with the co-operative banks. Further, it is only reasonable to assume that the role of co-operative central banks in this sphere will increase steadily on account of the steps which are being taken in pursuance of the co-operative development plans of State Governments to strengthen these banks and which will be taken to implement the measures suggested by us to bring about a reorientation in their dealings with industrial co-operatives.

6. Shri Bhargava has suggested that district co-operative unions of industrial societies should be preferred to the branches of the apex marketing society. While a pyramidal structure of primaries, district federations and

apex federation is the usual pattern, we felt that , at the present stage of development, industrial co-operatives are as yet neither so numerous nor so uniformly spread as to call for the organisation of district federations which can function as economic units. Whereas, in the case of the co-operative credit structure, agricultural credit societies either exist or may be organised in nearly all villages, in the case of industrial co-operatives their establishment cannot be expected to follow any pattern of even distribution. Consequently, we considered that, as in several states State Co-operative Banks were established with branches and gave room gradually for district banks when they could be started as viable units, so too we might begin with a State marketing federation first. Further, the initial support, guidance and help of a strong, State-wide organisation might prove more effective and useful than a District Federation where marketing of finished products is a difficult matter. While, thus, we have not ruled out organisations at the district level, we have suggested a strong apex with branches as a line of immediate action which is likely to be the most practicable and fruitful.

The utilisation, by industrial co-operatives, of the storage facilities provided by the warehouses established under the Agricultural Produce (Development and Warehousing) Corporations Act, has not been ruled out by the Group, and I believe that industrial co-operatives may, where such facilities are available at reasonable cost, utilise them provided this is rendered permissible under the Act.

7. I agree with Shri Bhargava that all Departments of Government should accept the approach of promoting co-operative effort in the various spheres of their activities in so far as this is feasible and be held responsible for implementing the same. It is not, however, clear to me how the establishment of a co-operative cell in each Department is a practicable or workable alternative to be preferred to the set-up under which the discharge of the duties of the Registrar under the co-operative law is located in a single authority, as recommended in our Report. Under the arrangement proposed by him, there can be no unified approach to the co-operative movement as a whole, in regard to various policies, practices, and procedures connected with it. At the present stage of the Movement in the country and, at any rate, in the foreseeable future, it seems to me that the need for a single authority to be in over-all charge of the co-operative movement and guide is inescapable.

8. The major part of Shri Jain's note relates to what may be described as the strategy for the development of industrial co-operatives. It would be easy enough to say that conditions for the organisation and growth of industrial co-operative societies are not yet present and to shelve the problem indefinitely. This seems, to my mind, a counsel of despair and is not in keeping with the spirit of bold adventure and purposeful innovation which informs our approach to the problems of planning and development. We have a democratic State which is anxious to develop cottage and small scale industries through co-operative methods. Our suggestion is that, in the initial stages of development certain special steps have to be taken to ensure that they make a good beginning and that they are provided with such support and guidance from the State as will help them to meet the powerful competition of established agencies of private industry and trade such as the master-craftsman or trader. It is in this context that we have provided for certain aids from the State together with certain safeguards

which might tend to reduce the chances of failure; the aids and safeguards are, in a sense, complementary. It is our hope that, in the process of working these co-operative institutions, the artisans will get such understanding of co-operative principles and practice, and the societies will gather such business and strength that they can, in due course, be run fully on their own. As I have pointed out earlier, the various aids and checks recommended by us are intended to meet the needs of the societies in their initial stages and the powers for the nomination of directors, etc., are only designed to meet such transitional needs. Every effort should be made to educate the worker and to develop his initiative, but to sit back and say that industrial co-operatives should be started only when artisans have been fully trained in Co-operative principles and practices and are in a position to proceed on the basis of self-help is, to say the least, to ignore the urgent realities of a situation where a democratic State, which has set before itself the objective of a socialistic pattern of society, wants to promote co-operation among a disadvantaged section of the population which is largely illiterate and is pitched in an unequal struggle against entrenched interests of private industry and trade. In the context of the socio-economic objectives of the Indian State, we cannot afford to wait for a gradual evolution of co-operative organisations under conditions of pure self-help as in the West; we have to step up progress through State sponsorship and State support and, where necessary, State partnership. In fact, the co-operative movement in this country has all along been State-sponsored and State-aided and in the light of past experience, State-partnership has come to be recognised as necessary in certain circumstances if the movement has to attain its goal. Minor differences apart, the Indian Co-operative Congress, both at its Patna Session (March, 1955) and at its Delhi Session (April, 1958) has accepted the general principle of State partnership. The resolution passed at the Delhi Session states, *inter alia*, as follows:

> "Having regard to the important role assigned to co-operatives in the national plan for economic development and the urgent need to revitalise and strengthen co-operatives so that they may fulfil this role efficiently and quickly, the Indian Co-operative Congress has accepted ,a :an initial stage in the growth of co-operatives, the participation of the State in the share capital of co-operative institutions."

This expression of non-official opinion should, I think, dispel doubt and fears on this issue.

9. Shri Jain's views on the problem of credit, do not call for any elaborate comment as several of the points made by him have been dealt with in detail in the report. Some of our basic principles may, however, be restated here. First, in the context of the present shortage of resources, leadership and trained personnel for banking institutions in the country, full use should be made of existing institutions. Secondly, there is a need, for more than one reason, for a gradual switch-over from Government to institutional finance and our recommendations are so designed as to facilitate such a switch-over by making the existing institutions sufficiently sympathetic towards, and aware of, the problems of industrial co-operatives. Thirdly while we are all agreed that the programme for the development of cottage and small scale industries should include aid in respect of techniques, credit

and marketing and that assistance in all these directions should be suitably coordinated, it does not seem practicable to combine these in one agency as suggested by Shri Jain.

10. On the subject of model by-laws, some clarification is necessary. As we have said in the report, all that has been done is to reproduce as appendices to the report of the Group the model by-laws for industrial production and service societies drawn up by the Committee on Co-operative Law set up by the Government of India, and separately to indicate the change in those by-laws necessitated by our recommendations. The Working Group considered it useful to give, in the appendices, the by-laws for purposes of reference and as a model on the basis of which societies may draw up their own by-laws. In doing so, they will doubtless take into account all local circumstances and make such changes as may be called for. We have nowhere suggested that they should be adopted *in to to.*

J. C. RYAN,
Chairman.

APPENDICES

APPENDIX A.

COPY OF LETTER NO. AC/-11-(2)/57-COORD DATED THE 11TH SEPTEMBER, 1957 FROM SHRI A. ZAMAN, I.C.S., JOINT SECRETARY TO THE GOVERNMENT OF INDIA, MINISTRY OF COMMERCE AND INDUSTRY, NEW DELHI, TO THE ACCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI.

SUBJECT.—*Constitution of the working group to consider the development of Industrial Co-operatives with special reference to the objectives and programmes of the Second Five Year Plan.*

I am directed to say that the President is pleased to set up a Working Group to be called the "Working Group on Industrial Co-operatives" to review the progress, examine the difficulties and recommend measures for ensuring accelerated development of such societies. The Working Group will consist of the following :

1. Shri M. R. Bhide, I.C.S., Joint Secretary, Planning Commission—*Chairman*
2. Shri M. P. Bhargava, Cooperative Adviser, Ministry of Food and Agriculture—*Member*
3. Shri J. C. Ryan, Agricultural Credit Department, Reserve Bank of India, Bombay—*Member.*
4. Shri V. Subramanian, I.A.S., Director of Small Industries and Industrial Cooperatives, Bombay—*Member.*
5. Shri L. C. Jain, Member-Secretary, All-India Handicrafts Board, New Delhi—*Member.*
6. Shri H. D. Shourie, Officer on Special Duty, Ministry of Commerce and Industry—*Member.*
7. Shri P. M. Mathai, Community Project Officer (Cottage Industries), Ministry of Community Development—*Member.*

Shri K. P. Parameshwaran, Assistant Director (CI) Ministry of Commerce and Industry will be the Secretary to the Working Group.

2. The terms of reference to the above working group will be :—

   1. To review the progress of industrial cooperatives for village and small scale industries
   2. To examine the difficulties impeding the rapid progress of the formation of industrial cooperatives, including those connected with the registration and supervision of such socities.
   3. To examine the financial, organisational and marketing difficulties of industrial cooperatives; and
   4. To recommend measures for ensuring accelerated development of industrial cooperatives with special reference to the objectives and programmes of the second Five Year Plan.

3. The Working Group will submit a report within four months of its formation *viz.* by the end of January, 1958.

4. The Working Group may undertake tours as and when necessary and may also record the evidence of individuals and associations who have expert knowledge of the subject.

5. Non-official members and invitees of the Working Group will draw travelling allowance and daily allowance in connection with the work of the Working Group at the rates prescribed in the Ministry of Finance Memorandum No. F-10(2) EST. II/51 dated the 12th April 1951 as amended from time to time.

6. The official members and the Secretary to the Working Group will draw travelling allowance and daily allowance under the normal rules applicable to them.

7. Shri P. N. Sareen, Under Secretary, Ministry of Commerce and Industry will be the controlling officer in respect of the travelling allowances etc. of the non-official members and invitees of the Working Group.

8. Expenditure involved will be debitable to Major Head 25-G.A.—Ministry of Commerce & Industry, A.Department of Commerce and Light Industries—Allowances Honoraria, etc. for 1957-58.

APPENDIX B

COPY OF THE LETTER No. AC-11(2)/57-COORD. DATED THE 21ST JANUARY, 1958, FROM SHRI A. ZAMAN, I.C.S., JOINT SECRETARY TO THE GOVERNMENT OF INDIA, MINISTRY OF COMMERCE & INDUSTRY, NEW DELHI, TO THE ACCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI.

SUBJECT —*Constitution of a working group to consider the Development of Industrial Cooperatives with special reference to the objectives and programmes of the Second Five Year Plan.*

In partial modification of this Ministry's notification of even number dated the 11th September, 1957, Shri J. C. Ryan of the Agricultural Credit Department, Reserve Bank of India, a member of the working group is, hereby appointed Chairman of the Working Group *vice* Shri M. R. Bhide, I.C.S., Joint Secretary, Planning Commission, who has relinquished the office. The appointment takes effect from the date of this notification.

APPENDIX C

COPY OF LETTER NO. AC-11(2)/57-COORD DATED THE 5TH FEBRUARY 1958 FROM MRS. P. JOHARI, DEPUTY SECRETARY TO THE GOVERNMENT, OF INDIA, MINISTRY OF COMMERCE & INDUSTRY, NEW DELHI TO THEA CCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI.

SUBJECT.—*Constitution of a working group to consider the development of Industrial Co-operatives with special reference to the objectives and programmes of the Second Five Year Plan.*

In continuation of this Ministry's notification of even number dated the 21st January, 1958, Dr. D. K. Malhotra, Deputy Secretary, Planning Commission, New Delhi , is hereby appointed as a member of the working group on industrial cooperatives. The appointment takes effect from the date of this notification.

COPY OF LETTER NO. AC-11(2)/57-COORD DATED THE 17TH FEBRUARY 1958, FROM MRS. P. JOHARI, DEPUTY SECRETARY TO THE GOVERNMENT OF INDIA, MINISTRY OF COMMERCE AND INDUSTRY, NEW DELHI, TO THE ACCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI.

SUBJECT.—*Constitution of a working group to consider the development of Industrial Co-operatives with special reference to the objectives and programmes of the Second Five Year Plan.*

In continuation of this Ministry's notification of even number dated the 6th February, 1958, Shri K. Subrahmanyam Nayudu, Chief Officer, Rural Credit Section, State Bank of India, is hereby appointed as a member of the working group on industrial cooperatives. The appointment takes effect from the date of this notification.

COPY OF LETTER NO. PT. 11(2)/57-E.U. DATED THE 6TH JUNE, 1958, FROM THE GOVERNMENT OF INDIA, MINISTRY OF COMMERCE AND INDUSTRY, NEW DELHI-1. TO THE ACCOUNTANT GENERAL, CENTRAL REVENUES, NEW DELHI.

SUBJECT.—*Working Group on Industrial Cooperatives—Appointment of member.*

In modification of this Ministry's notification No. Pt. 11/(2)/57-E.U. dated 23rd May 1958, Mr. M.M. Vadi, Development Officer (Electrical Directorate), Development Wing, Ministry of Commerce and Industry, New Delhi is hereby appointed as member of the Working Group on Industrial Co-operatives. The appointment of Sarvashri R. V. Ramiah, Development Officer (Technical), Office of the Development Commissioner (Small Scale Industries), New Delhi and N. Krishnaswamy, Development Officer (Mechanical Engineering Directorate), Development Wing, Ministry of Commerce & Industry, New Delhi is cancelled. The appointment of Mr. Vadi takes effect from the date of this notification.

APPENDIX D

WORKING GROUP ON INDUSTRIAL COOPERATIVES

QUESTIONNAIRE

I. *Progress in the formation of Industrial Co-operatives*

(1) What progress has been achieved in regard to the formation of industrial co-operatives in the spheres of small-scale industries, handicrafts, handlooms, khadi & village industries etc., which are covered by the operations of the respective All India Boards and the Khadi & Village Industries Commission? Information may be given industrywise, to the extent available, in the form appearing at Annexure 'A'. If any targets are fixed for the Second Five Year Plan, in these respective spheres, these may be indicated.

(2) What special achievements, if any, have been made in establishing Industrial Co-operatives in the Community Development and National Extension Service Blocks?

NOTE :—

(*i*) For the purpose of the information asked for in table at Annexure 'A', an urban area may be considered to be a municipal, small town, notified area or town with population 10,000 and above.

(*ii*) The industries categorised under the respective categories of "Handicrafts", and "Village Industries" are given in the Annexure 'B'. In the case of small-scale industries, the information may be furnished on the basis of convenient groups of industries, such as engineering industry, sports-goods industry, hosiery, glass industry etc.

II. *Co-operative Law*

(1) A copy of the Co-operative Act and the Rules under which the Industrial Co-operatives are being registered may be supplied. In case any modification of the Co-operative Act or the Rules is contemplated, a brief description of the proposed amendments and the reasons thereof may be indicated.

(2) A copy of the State Aid to Industries Act and rules for the grant of loans/subsidies may be supplied, giving specific reference to the provisions under which financial assistance is being given to Industrial Co-operatives.

(3) A copy of the model bye-laws or types of model bye-laws relating to co-operative societies in the State may be supplied.

(4) Details of the procedure adopted in conducting investigation and the steps taken preliminary to the registration of industrial co-operative may be supplied. It may be specifically mentioned whether before the registration of an industrial co-operative the scope and potentiality of the industry in the area is determined, and if so, what procedure is adopted for conducting such investigation.

III. *Share Capital*

(1) (*a*) In the Industrial Co-operatives are any different types of shares prescribed for different types of members ?

(*b*) Is there any minimum or maximum limit prescribed in respect of the shares that a member can hold? What are the limits prescribed? Is it considered necessary to retain or prescribe a maximum limit for the share contribution of an individual member?

(*c*) Can the amount of share capital be paid in instalments? If so, in what instalments and period ?

(*d*) Has contribution for shares necessarily to be in cash? Is it possible for members to contribute share capital in the form of tools etc.? If so, do you recommend the continuance of this practice?

(2) Is any difficulty generally experienced by members in contributing to the share capital? What, if any, are the existing facilities for meeting such difficulties? What facilities in this regard, do you recommend to encourage and expand membership of Industrial Co-operatives?

(3) Is any financial assistance given to the members to enable them to contribute to the share capital of industrial co-operatives? If so, from what source, in what shape, and to what extent?

(4) Would it be desirable that an appropriate loan (with or without interest)/grant should be given by the Government to the individual member for enabling them to pay the total amount of the initial and subsequent instalments of the share capital?

(5) What arrangements exist for repayment of the loans given to members for contributing to the share capital? What is the period prescribed for repayment of these loans? Are there any difficulties in this respect?

IV. *Membership of Industrial Co-operatives*

(1) What maximum limit, if any, has been prescribed under the State Co-operative Law in respect of membership of Industrial Co-operatives?

(2) What conditions and/or qualifications, if any, have been prescribed under the State Co-operative Law for determining the eligibility for membership of Industrial Co-operatives?

(3) What is the basis adopted for fixing the minimum membership of co-operative societies? Would you suggest increasing or decreasing the present minimum limit of membership? If so, give reasons.

(4) Would it be desirable to restrict the membership of Industrial Co-operatives only to aritisans, or should any other categories of individuals be eligible for membership? If so, to what extent should their number and rights as members be restricted, *e.g.*, membership of the Managing Committee etc.?

(5) Should small entrepreneurs, who employ workers in their individual concerns, firms and partnerships be permitted to form or join Industrial Co-operatives? If so, is it necessary that the employees of the concerns are also made members of the Industrial Co-operatives? What measures are considered necessary to safeguard the interests of workers?

(6) Should any upper limit be placed on the size of the individual enterprise entering the co-operative society *viz.*, the number of workers employed and/or the capital investment in the enterprise?

V *Finances*

(1) What different patterns of financial assistance have been prescribed for industrial co-operatives in the respective industries comprised in the spheres of small-scale industries, handlooms, handicrafts, khadi and village industries etc. mentioned in Question I(1)? What has been the experience in the operation of these patterns in the respective fields, and what suggestions, if any, would you make for modifying these?

(2) What different agencies, (such as State Bank of India, Co-operative Banks, State Governments, Finance Corporations etc.) are at present advancing loans to the Industrial Co-operatives? What is the extent of the assistance rendered by these respective agencies in the fields of industries mentioned in Question 1(1)? What suggestions would you make to improve the processing of the financial assistance from these agencies? Information on behalf of this question to the extent feasible, may be given in respect of short term, medium term and long term loans.

(3) Are any subsidies being given to Industrial Co-operatives under the State Aid to Industries Act? If so, what is the experience in respect of the proper utilisation of the subsidies? Have the subsidies helped to create enthusiasm in the formation of Industrial Co-operatives?

(4) What has been the general experience in respect of the utilisation of loans by Industrial Co-operatives? What is the present agency supervising and ensuring the proper utilisation of loans advanced? What measures do you suggest to ensure proper utilisation of loans?

(5) What is the extent of default in repayment of the loans advanced by the various agencies, and what main causes lead to the default in repayment? What measures have been adopted for effecting recoveries, and with what success? Have you any suggestions to make to improve the position in this respect?

(6) What should be the period of repayment for short, medium and long term loans?

(7) What interest is charged on the loans advanced to Industrial Co-operatives? Does it vary from industry to industry? For giving a fillip to the expansion of Industrial Co-operatives would it be necessary to lower the rate of interest? If so, how do you propose to meet the cost of doing so?

(8) What is the existing system of sharing the losses on loans advanced to Industrial Co-operatives in the respective fields of industries as between the Co-operative Banks and other Financing Institutions/State Governments/Central Government? Is any modification of the system considered necessary? What is approximately the percentage of losses in the finances advanced by the respective agencies?

(9) What is the existing system of channelising the Central/State assistance through the Co-operative Banks and Federations of Industrial Co-operatives, etc? Is any modification in the existing system considered necessary?

(10) If loans are channelised through Cooperative Banks, what should be the rate at which the ultimate borrower should get the loans and what should be the margins for the intermediate stages?

(11) Is there any separate bank for financing Industrial Co-operatives in your State? If so, what is the experience of its working, full details to the extent feasible, may be given. Has it facilitated the financing of Industrial Cooperative Societies? Do you recommend that there should be separate Industrial Cooperative banks? If so, the reasons may be stated.

VI. *Marketing*

(1) Are Industrial Cooperative Societies experiencing difficulties in securing their raw material requirements? If so, what are your suggestions for facilitating the procurement of materials of the proper quality, within a reasonable time and at reasonable prices?

(2) What steps, in your opinion, can be taken to take advantage of the godowns to be built by the Ware-Housing Corporations for the benefit of Industrial Co-operatives?

(3) What are the arrangements for marketing of the goods produced by Industrial Co-operatives? Is the marketing handled by the Production Societies themselves or are any other agencies (cooperative or otherwise) utilised for the purpose? What concrete suggestions would you make in this regard?

(4) Has any apex Industrial Cooperative body or Federation of Industrial Co-operatives been created in the State? What aspects of the work of Industrial Co-operatives are handled by these apex bodies or federations? Will it be possible to entrust the marketing of products to the federation of Industrial Co-operatives, thereby freeing the Industrial Co-operatives from the burden of securing the markets and enabling to concentrate their energies on production? If this is being done, what is your experience in this regard?

(5) For facilitating purchase of raw materials and marketing of goods are any types of concessions being allowed to the Industrial Co-operatives? If so, are they adequate and have they helped the development and functioning of Industrial Co-operatives? Would you recommend any modifications?

(6) What special arrangements should be made to stock raw materials during the period of lower price and also stock finished products through the slack season?

(7) What are the arrangements for obtaining advances to carry on production during slack season and for marketing of goods? Are these arrangements adequate? What suggestions would you give for effecting improvement?

(8) What is the experience of the grant of rebates on sales and production subsidies for handloom, village industries, etc.? Do you recommend the continuance and/or extension of the present arrangements?

(9) What preference, if any, is being given by the State Government/Central Government, other Government and semi-government institutions, corporations and undertakings, in the matter of purchase of products of Industrial Co-operatives? What is the nature and extent of such preference? Please attach copies of relevant circulars, etc., in this regard. What benefits have accrued on account of this policy?

(10) Is the system of preference working effectively? Do you consider the preference adequate? If not, what are your suggestions? Can this policy be extended? If so, please list the commodities and departments.

(11) Do you consider that there should be reservation of any items of manufacture in respect of industries mentioned in question I(1) for Industrial Co-operatives? If so, give details.

(12) The Village and Small Industries (Second Five Year Plan) Committee (generally known as the "Karve Committee") has recommended (in paragraphs 51-54) that a price and market shelter will have to be provided for the successful implementation of the positive programme of reconstruction of Village and Small-scale industries. This among various other measures, will necessitate the giving of an assurance to the members of the cooperative societies that their total production of given types and qualities will be purchased at a steady price or at a margin between raw material supplies and the final price which gives them an adequate wage. In the initial stages, the success of the scheme will depend on the base of a State Guarantee and the financial burden arising out of this guarantee will be in addition to the cost of the rebate or other devices adopted to maintain the appropriate price differentials in favour of the hand producers. What are your views regarding this recommendation? How, in your opinion can this recommendation be implemented?

(13) What are your suggestions for enforcing quality and standards in the products of Industrial Co-operatives?

VII. *Administration and Organisation*

(1) What system obtains at present at the State level for the administration of the work of Industrial Co-operatives? What arrangements have been made between the Departments of Industries and Co-operation for ensuring adequate liaison in the interest of this work?

(2) What staff in the field looks after the work of Industrial Co-operatives? Is this staff under the District Officer of the Industries Department or the Co-operative Department? Does the inspectorate dealing with this work handle work other than that of Industrial Cooperatives?

(3) Is the field staff and the Headquarters Staff adequate for the work of Industrial Co-operatives? If not, what proposals have been formulated for strengthening the staff. What staff at the district level, and at headquarters of the State Government, do you consider necessary for performance of the promotional, administrative and supervision work of the Industrial Co-operatives?

(4) What arrangements exist at present for ensuring proper audit of the accounts of Industrial Co-operatives? What are your suggestions for improvement in this regard?

VIII. *Technical Training*

(1) What are the existing arrangements/facilities for the training of :—

(*a*) Craftsmen and technicians;

(*b*) Government staff dealing with the work of Industrial Co-operatives;

(*c*) Staff employed by Industrial Co-operatives? Are they adequate? What are your proposals for improvement?

IX. *Cooperative Education*

(1) What are the present arrangements for training Secretaries, Managers Salesmen, Auditors, etc., of Industrial Co-operatives? What steps have been taken to educate members or prospective members of Industrial Co-operative?

(2) Do any arrangements exist for imparting training to craftsmen and others in the principles and practices of cooperative functioning?

(3) What measures and media exist at present for propagating the idea of cooperative functioning in general and for Industrial Co-operatives in particular? What further measures should, in your opinion, be adopted for educating the people in this field and what agency or media would you suggest for adoption for this purpose?

X. *Womens' Organisations*

(1) Are there any separate Industrial Co-operatives for women? If so, give details.

(2) Is any special concession or facility provided to such co-operatives?

(3) In the promotion and administration of such Industrial Co-operatives, do womens' organisations take any special interest.

(4) In what industries have such co-operatives been formed? What are the industries in which, in your opinion, Industrial Co-operatives of women can successfully be formed? If possible, give suggestions for Rural and Urban areas separately.

XI. *General*

What factors have hampered the formation and expansion of Industrial Co-operatives? The factors including registration, organisational problems, financing, procurement of raw materials, sale of manufactured goods and supervision of the functioning, etc., may be reviewed in a general way in answering this question. What specific measures would you suggest for accelerating the development and improving the functioning of Industrial Co-operatives?

ANNEXURE A

Statement showing particulars of Industrial Cooperatives as on 1st July 1951 and 1st July 1956

(If figures for 1st July 1951 may not be available, information as on 1st July, of the closest year may be given. If figures for 1st July 1957 are readily available, they may be shown separately).

Item	Industry	Hand-loom		Handi-crafts		Small-scale in-dustries		Sericul-ture		Coir		Village Industries		Khadi & Ambar Khadi	
		1951	1956	1951	1956	1951	1956	1951	1956	1951	1956	1951	1956	1951	1956
1	2	3		4		5		6		7		8		9	
No. of Societies :															
(A) Rural :															
Community Development Blocks and National Extension Service Blocks.															
(a) "A" Class															
(b) "B" Class															
(c) Others															
(d) Total															
(ii) Other Areas :															
(a) "A" Class															
(b) "B" Class															
(c) Others															
(d) Total															

(B) Urban :

(a) "A" Class

(b) "B" Class

(c) Others

(d) Total

2. Total number of Members of all Societies

(a) Artisans

(b) Sympathisers

3. Total paid up share capital

4. Total Statutory Reserve

5. Other Reserves.

6. Borrowings of Societies

(i) Loans from Government

(ii) Loans from Central financing agencies

(iii) Loans from other sources

(iv) Total borrowings

7. Repayment of loans

(i) To Government

(ii) To Central Financing agencies

(iii) To others

(iv) Total repayments

1	2	3	4	5	6	7	8	9
8. Government aid.								
(i) For cost of management . .								
(ii) For other purposes . . .								
9. Production and Sales (Figures in value)								
(a) Raw material purchased . .								
(b) Wages paid								
(c) Goods produced . . .								
(d) Goods sold								

ANNEXURE 'B'

Schedule of Industries for which information is to be provided as in Annexure 'A'

I. HANDLOOM.

II. HANDICRAFTS.

1.	Textiles . . .	Hand-printing and traditional dyeing of textiles Brocades Himroo Carpets and druggets Rugs, gabbas and namdas Embroidery (cotton, silk, wool & Zari) Lace, and lace work including nakki and gota making. Shawls.
2.	Metalware . .	Silver and goldware Bidri Filigree Brassware and copperware Bronze work.
3.	Wood work . .	Wood carving and inlay Lacquer work including normal work Decorative furniture
4.	Ceramics . . .	Pottery and earthenware
5.	Stonework . .	Stone-carving including marble work and alabaster
6.	Toys . . .	Dolls, and toys other than mechanical toys
7.	Leather . . .	Leather goods
8.	Ivory . . .	Ivory carving
9.	Papier-machie . .	Papier-machie articles
10.	Horn . . .	Horn
11.	Bone . . .	Bone
12.	Cane, bamboo etc. .	Articles made of cane, bamboo, willow, straws and grass including mats & pithcraft
13.	Incense & Perfumery .	Incense and perfumery
14.	Flax & Fibre . .	Handicraft articles made of flax & fibre
15.	Bangles & Beads .	Bangles and Beads
16.	Musical Instruments .	Musical Instruments
17.	Conch-shell & semi-precious stones	Articles made of conch-shell and semi-precious stones.
18.	Miscellaneous . .	Miscellaneous traditional art objects as Orissa, Mysore & Tanjore paintings, and handicraft products specially made for ceremonies, articles of worship and theatrical requisites such as costumes, masks, puppets, etc.

III. SMALL SCALE INDUSTRIES.

By categories wherever available and may be grouped according to convenience.

IV. SERICULTURE.

V. COIR.

VI. VILLAGE INDUSTRIES.

1. Bee keeping
2. Cottage match industry
3. Cottage pottery industry
4. Cottage soap industry
5. Flaying, curing and tanning of hides and skins and ancillary industries connected with the same and cottage leather industry
6. Ghani oil industry
7. Hand-made paper
8. Manufacture of cane-gur and khandsari
9. Palm-gur making and other palm-products industry
10. Processing of cereals and pulses
11. Fibre Industry other than Coir
12. Blacksmithy and Carpentry (manufacturing and servicing not involving the use of power; except that in case of manufacture of Ambar Charkha and their accessories, power may be used).

VII. KHADI AND AMBAR KHADI.

N.B.—If categorywise information is not available, whatever is available, may be given.

APPENDIX E

List of Societies visited by the Working Group

Date of visit	Name of society	State to which it belongs	Names of members present
1	2	3	4
29-11-57	1. Cottage Industries Depot, State Industrial Co-operative Association, Ltd. . .	Bombay	
Do.	2. Leather Factory run by State Industrial Co-operative Association, Mazgaon . .	Do.	
Do.	3. Handloom Model Centre run by State Industrial Co-operative Association, at Lalbaug .	Do.	Shri V. Subramanian ,, P.M. Mathai ,, L. C. Jain.
30-11-57	4. All India Handloom Fabrics Marketing Co-operative Society Ltd., Hornby Road, Bombay . . .	Do.	
Do.	5. Graha Udyog Sahakari Mandal, Congress House, Lemington Road	Do.	
2-12-57	6. Small Industries Research Centre, Poona . . .	Do.	
Do.	7. Co-operative Training College, Poona	Do.	Shri L. C. Jain.
Do	8. District Co-operative Bank, Poona	Do.	
Do.	9. Handmade Paper Research Centre, Poona . . .	Do.	
25-2-58	10. Ondipudur Weavers' Co-operative Society, Ondipudur .	Madras	
Do.	11. Devanga Weavers' Co-operative Society, Coimbatore .	Do.	
Do.	12. Coimbatore Ex-Servicemen's Co-operative Motor Transport Society	Do.	
26-2-58	13. The Kangayam Hand-pounding Rice Workers' Cottage Industrial Co-operative Society Ltd.	Do.	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu.
Do.	14. The Kunnathur Co-operative Jaggery Marketing Society Ltd.	Do.	
Do.	15. The Poolankulam Jaggery Producers' Co-operative Society	Do.	

1	2	3	4
27-2-58	16. The Malabar District Co-operative Metal Works Ltd., for Ex-Servicemen, Puduppariyaram, Olavakkot . . Olavakkot	Kerala	
Do.	17. The Malbar District Co-operative Timber Works, Olavakkot	Do	
Do.	18. The Industrial Estate Olavakkot	Do.	
28-2-58	19. The Kausalya Weavers' Industrial Co-operative Society Ltd., Post Tottada, Cannamore District . . .	Do.	
Do.	20. The Lokanath Weavers' Industrial Co-operative Society Ltd., Post Tottada, Cannamore District . . .	Do.	
1-3-58	21. The Calicut North Fish Curers' Co-operative Society .	Do.	Shri J. C. Ryan Shri K. Surbrahmanyam Nayudu.
Do.	22. The Trichur Carpenters' Co-operative Society .	Do.	
Do.	23. Cochin Central Co-operative Cottage Industries Marketing Society Ltd., Trichur . .	Do.	
Do.	24. The Industrial Estate, Trichur	Do.	
2-3-58	25. The Alleppey Central Coir Marketing Co-operative Society Ltd. . .	Do.	
3-3-58	26. The Neyyattinkara Industrial Co-operative Society Ltd. .	Do.	
Do.	27. The Travancore Ivory Carvers' Co-operative Alliance Society .	Do.	
Do.	28. The Mangad Coir Vyvasaya Co-operative Society Ltd. .	Do.	
Do.	29. The Trivandrum Industrial Marketing Co-operative Society Ltd.	Do.	
5-3-58	30. The Perambur Arunthatheya Leather Works Co-operative Society Ltd. . . .	Madras	
Do.	31. The Reid Co-operative Timber Works Ltd., Tiruvettiyur .	Do.	Shri J. C. Ryan Shri K. Subrahmanyam Nayudu. Shri V. Subramaniar.
Do.	32. The Madras Co-operative Motor Transport Society (for Ex-Servicemen) Ltd. .	Do.	
Do.	33. The Madras State Handloom Weavers' Co-operative Society Ltd., Madras	Do.	
6-3-58	34. The Industrial Estate, Guindy	Do.	

1	2	3	4
7-3-58	35. The Iron & Steel Industrial Co-operative Society Ltd., Bangalore	Mysore	Shri J. C. Ryan ,, K. Subrahmanayam Nayudu ,, V. Subramanian..
Do.	36. The Bangalore Urban Industrial Co-operative Society, Bangalore City . . .	Do.	
Do.	37. The Mysore State Silk Handloom Weavers' Central Co-operative Society Ltd., Bangalore	Do.	
Do.	38. The Mysore Provincial Woollen Handloom Weavers' Co-operative Society Ltd., Bangalore	Do.	
Do.	39. The Mysore State Cotton Handloom Weavers' Co-operative Society Ltd., Bangalore . .	Do.	
8-3-58	40. The Yalahanka Silk Handloom Weavers' Co-operative Society, Ltd., Yalahanka .	Do.	
Do.	41. The Cotton, Silk & Rayon Textiles Co-operative Society Ltd., Dodballapur . .	Do.	
Do.	42. The Rural Industrial Co-operative Society, Ramnagaram . .	Do.	
Do.	43. The Rural Industrial Co-operative Society Ltd., Kangeri .	Do.	
Do.	44. The Rural Industrial Co-operative Society Ltd., Yalahanka	Do.	
9-3-58	45. The Mysore Central Co-operative Rural Industrial Financing Bank Ltd., Bangalore	Do.	
15-4-58	46. Ludhiana Hosiery Workers Co-operative Industrial Society, Ludhiana . . .	Punjab	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu ,, V. Subramanian Dr. D. K. Malhotra.
Do.	47. Ludhiana Sewing Machine Marketing Co-operative Society, Ludhiana . . .	Do.	
Do.	48. Wait Ganj Hosiery Co-operative Industrial Society, Ludhiana .	Do.	
16-4-58	49. Nakodar Duree Makers' Co-operative Industrial Society Ltd., (Near Jullundur) . .	Do.	Shri J. C. Ryan ,, K. Subrahamanyam Nayudu ,, V. Subrahmanian Dr. D. K. Malhotra Shri H. D. Shourie.
Do.	50. Citizen Sports Co-operative Industrial Society Ltd., Jullundur City . . .	Do.	

1	2	3	4
16-4-58	51. Jullundur Band Instruments Makers' Industrial Co-operative Society	Punjab	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu ,, V. Subramanian Dr. D. K. Malhotra Shri H. D. Shourie.
Do	52. Leather Workers Co-operative Industrial Society, Nangalkara	Do.	
17-4-58	53. Rattan Agricultural Implements Manufacturing Co-operative Industrial Society, Hoshiarpur . . .	Do.	Shri K. Subrahmanyam Nayudu ,, V. Subramanian Dr. D. K. Malhotra.
Do.	54 Behdala Tanners' Co-operative Industrial Society, Behdala	Do.	
Do.	55 Dehlan Co-operative Milk Supply Society, Dehlan .	Do.	
8-4-58	56 Delhi Garments' Co-operative Society, Delhi . . .	Delhi	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu ,, V. Subramanian Dr. D. K. Malhotra.
Do.	57. Capital Industries Co-operative Society, Delhi . .	Do.	
Do,	58. Metal Works Co-operative Industries Society, Delhi .	Do.	
Do.	59. Jai Bharat Engineering Co-operative Industrial Society .	Do.	
Do.	60. Indian Co-operative Union .	Do.	
Do.	61. Delhi State Government Co-operative Emporium . .	Do.	
Do.	62. Fine Embroidery and Footwear Co-operative Industrial Society, Delhi . .	Do.	
20-4-58	63. Quality Marked Footwear Manufacturers' Co-operative Association, Agra . .	Uttar Pradesh	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu.
Do.	64. Kargha Grah Udyog Sahakari Samiti, Agra . .	Do.	
Do.	65. Graha Udyog Parthkala Sahakari Samiti, Agra .	Do.	
Do.	66. Dayalbagh Shoe Manufacturers' Co-operative Society Ltd., Dayalbagh . .	Do.	
Do.	67. Dayalbagh Co-operative Leather Goods Industries Ltd., Dayalbagh . . .	Do.	
24-5-58	68. Saktigarh Co-operative Multi-purpose Society, Ltd., Bongaon	West Bengal	

1		2	3	4
26-5-58	69.	Women's Co-operative Industrial Home Ltd., Udayvilla, Kamarhati . . .	West Bengal	Shri K. Subrahmanyam Nayudu ,, V. Subramanian.
Do.	70.	Provincial Co-operative Industrial Society Ltd., College Street, Calcutta . . .	Do.	
26-5-58	71.	West Bengal Weavers' Co-operative Marketing Society Ltd., Calcutta . . .	Do.	Shri J. C. Ryan ,, K. Subrahmanyam Nayudu. ,, V. Subramanian. ,, P.M. Mathai ,, L.C. Jain ,, H. D. Shourie.
Do.	72.	Leather Workers' Co-operative Society Ltd., Chitpur Road, Calcutta	Do.	
27-5-58	73.	Central Engineering Organisation, Directorate of Industries, West Bengal .	Do.	
Do.	74.	Hooghly Artisans' Co-operative Industrial Union Ltd., Serampore	Do.	Shri K. Subrahmunyam Nayudu. ,, V. Subramanian.

APPENDIX F

Pattern of Central Assistance for Village and Small Industries

Item	Handloom	Small Scale Industries	Handicrafts	Sericulture	Coir	Village Industries	Khadi
1	2	3	4	5	6	7	8
I Service or Developmental Schemes.		(Applicable for items 3, 4, 6, & 7 below) 1. 50 P. C. of the cost of land and building as grant. 2. 75 P. C. of non-recurring expenditure on machinery and equipment as grant. 3. 50 P. C. of recurring expenditure for the first year. 4. Loan—100 P. C. Working Capital.					
I. Training Schemes of all types.	1. Training in Salesman-ship : 100% grant for engaging lecturer and peons. 2. 50% on the training of Supervisory staff. 3. *Ad Hoc* assistance for training	1. 50% of stipends and cost of books with ceiling of Rs. 40/- per month per trainee. 2. 50% of the cost of raw material wasted.	100% of non-recurring and recurring expenditure excluding cost of lands and buildings which will be examined on merit.	Same as in the case of Col. 4 *i.e.* Handicrafts.	Nil	The Khadi Commission, apart from establishing training centres for artisans in different village industries both of short term and specialised course, provides tution fees and	Apart from incurring expenditure on running the Maha-Vidyalayas & regional Vidyalayas for Training of C. P. A. Officers, Refreshers. Katai & Bunai Visharad and instructors, training course for salesmen, managers, for emporia and

	of Weavers and of employees of Apex & Primary Weavers cooperative society in deserving cases.					stipends at varying rates to the artisans. In addition, Railway Fares to and fro the Training Centres per trainee is also provided.	short 2 months course for training in salesmanship in Khadi is being arranged where every student is given boarding and lodging charges, tution fees or stipends and T. A. and D. A. at varying rates for different course. Besides training is provided to spinners, weavers, carpenters and instructors and others for running the Ambar Charkha Programme.
2. Grants and loans for equipment.	1. Conversion of throw shuttle into fly shuttle subject to a 100% subject to a ceiling of Rs. 25/- per loom. 2. Provision for take up motion—100% grant subject to a ceilling of of Rs. 70/- per loom. 3. Wraping Frames 100% grant. 4. Sleys—100% grant subject to ceilings of Rs. 50/- 30 and 25 according to the type of slay.	Equipment can be purchased from loans by block Parties. Private	Equipment purchased by private parties or co-operative societies is not subsidised	Supply of Chandrikes to seed rearers and domestic basins to replace country Charkhas—100% grant. 2. Subsidy to private planters for growing bush or tree mulberry 100 p.c. both recurring and non-recurring.	As in Col. 4 (Handicrafts).	Loans and grants for equipment in varying per centage, *i.e.* 25 : 75 ; 50 : 50 are being given to regd. institution for running production and mobile centres for various village industries.	Loans and grants are being given to institutions for purchase or ordinary and Ambar Charkhas and other equipments for spinning etc.

2	3	4	5	6	7	8
5. Jacquards 50% loan 50% grant.						
6. Self leasing verticle wraping machine—100% grant subject to a ceiling of 500/-.						
7. Cross boarder Dobby—100% grant, ceiling Rs. Rs. 50/-.						
8. Iron-reeds 100% grant, ceiling Rs. 20/- & Rs. 10/-						
9. Wraping drums 75% grant of the actual cost.						
10. Varnished healds—Rs. 20/- per set (grant).						
11. Drop Boxes—100% grant ceiling Rs. 8/-.						
12. Heald Staves-100% grant.						

3. Research & Design.	Cost of land and building as *loan*. Non-recurring expenditure (100%) *grants*. 100% recurring expenditure for the 1st year and 50% in subsequent years.	As given in the beginning of the Statement.	100% grant both recurring and non-recurring.	100% grant for both recurring and non-recurring.	N.A.	The Khadi Commission is running the Khadi & Village Industries Research Institute at Wardha and entire cost is made by the Commission.	As for Village Industries.
4. Quality Marking.	Quality control is approved in principle and each scheme is examined on merit.		100% of both recurring and non-recurring as grant.	Same as for Handicrafts.	N. A.	N. A.	N. A.
5. Publicity Propaganda & Museums.	Each individual scheme is examined on merits and assistance is given in the form of *grants*.	50% of actual expenditure as grant.	100% for both recurring and non-recurrg grant.	Same as for Handicrafts.	Such Schemes are entirely undertaken, by the centre.	Entire expenditure on publicity including museums is met by the Khadi Commission.	Same as for Village Industries.
6. Survey, Eco. Research & Statistical data.	100 % as grant.	As given in the beginning of the Statement.	100 % as grant.	100 % as grant.			
7. Establishment of common-facilities and service centres.	Items like dye-houses etc. are examined on merit. Non-recurring exapenses excludings for land and building (which is not financed) are met as grant. 2. Pattern making factories individ scheme on	—do—	—do—	—do—	N. A.	N. A.	N. A.

1	2	3	4	5	6	7	8
	3. Finishing plant 50 p. c. grant and 50 p.c. loan for non-recurring expenses. Recurring expenses are met as grant for one year.						
II. *Commercial Schemes.*							
1. Marketing: (a) Establishment of Emporia & Sales-depot.	1. *Grant* of Rs. 4000 per depot to State Govt. or Co-operative society for non-recurring expenditure.	*Grant* : 50% of actual recurring expenses or Rs. 5000 per depot whichever is less.	Grants : 50% recurring and non-recurring. Loans: 100% of working capital.	Same as for Handicrafts.	50 % p. c. as *grant* and 50 p. c. as loans for Co-operative society for marketing of yarn.	Khadi and Village Industries *both* : Apart from the Commission bearing 100 p. c. of non-recurring and recurring expenditure of running the marketing depots and emporia for different Khadi and Village Industries etc. Financial assistance in the shape of grant for establishment charges is given to the selling agencies of different village industries and Khadi. These are also provided loans for purchasing, storing and selling the products. The extent of loan assistance depends on individual cases.	
	2. For *Recurring* expenditure 100% grant for 1st 2 years. 75 p. c. for 3rd year 50 p.c. for 4th year. 25 p.c. for 5th year. No assistance from 6th year. (One Emporium to cater for 500 looms).	*Loans* : 50 p. c. of non-recurring expenditure as 10 year loan at 4% per annum. 50% of working capital as 10 year loan at 40%.	The question of assistance for purchase of land and building is examined on merit.				

	3. *Loan* of Rs. 15000 per depot to the Govt. depot where co-operative movement has not developed. Repayable in 5 equal instalments, the 1st starting 2 years after the disbursement.
(b) Inter-State Depot.	Depots started in 1953-54 and subsequently Rs. 15,000 per year or the actual which is less as grant. No loans are admissible.
(c) Central depots.	Grant of Rs. 6,000 per depot per year.
(d) Mobile Vans.	*Grants*: 100 p.c. for non-recurring part of the recurring expenditure to be fixed on individual cases. Loans: 100 p.c. for working capital [repayment as in (a) of II above.]

1	2	3	4	5	6	7	8
2. Production Centres:	N.A.	1. 75 p.c. of the total expenditure inclusive of working capital, recurring and non-recurring expenditure. 2. 100 p.c. non-recurring and 50 p.c. recurring expenditure as *grant* for Central Social Welfare Scheme and for Similar Scheme. 3. Loans: 50 p.c. of the recurring expenses (at 4% for 10-years).	Grant: 50 p.c. of both recurring and non-recurring. Loans: Entire Working Capital	Same as for Handicrafts	N.A.	Financial assistance is provided for establishment of Production Centres for different V.I. to the Institutions and State Government. The extent of assistance (both ceiling and percentage of grants and loans) is determined in relation to the merits of each industry.	Grants and loans are given to Institutions for carrying on production of Khadi & Amba Khadi Loans are interest-free.
III. INDUSTRIAL COOPERATIVE.							
1. Loans for share capital	87 ½% of the value of the share to be given to Weavers on joining a cooperative society. The remaining is contributed by the weaver. No contribution by the States. (Loans are interest free).	75% of the value of the share as a 2 year loan.	75% of the value as 2-year loan at 2 1/2%	Same as for Handicrafts.	N.A.	Both for Khadi and Village Industries Loans are advanced to extent of 87½% to the artisans for contributing towards share capital. (The loans bear interest in the case of Oil Industry at 5 ¼% and recoverable in 5 equated instalments).	

2. Loans for working capital.	Cotton: Rs. 300/- per loom Silk. Rs. 500/-	75% of the working capital as a ten year loan at 2½% to co-operatives.	(Both for handicrafts and sericulture) 75% of the working capital at 2½% interest.	50% at 2½ % interest		Loans are advanced to cooperatives and institutions. The extent depends upon the requirements of individual institutions for different industries. The interest rate also varies from industry to industry.	Loans to cooperatives and regd. institution for productions and marketing of khadi on the basis of 1/3rd of the total expected production subject to a maxm. of Rs. 6 lakhs for cooperative (Interest free, repayable within a year)
3. Supervisory and management expenses.	1. Assistant for meeting part of the estt. charges of Apex. Coop. Societies is admissible. 2. Coop. Societies of production. *cum*-sale are paid grants towards its running expenses @ Rs. 50/- p. m. Societies with less than 100 looms, and Rs. 100/- p. m. for societies with more than 100 looms (Admissible for 3 years from 1954-55).	50% of recurring expenses for three years on Special Supervisory staff.	50% of recurring expenditure for 3 years on special supervisory staff.	Same as for handicrafts	N. A.	N. A.	N. A.

1	2	3	4	5	6	7	8
4. Sharing of losses for recovery of loans.	N. A.	The Centre would bear 75 % of the losses and the State Govt. 25 p.c.	N. A.	N. A.	N. A.	N. A.	N.A.
IV. *Block loans*							
1. Advancement of loans under State Aid to Industries Act. (to private parties.)	Dealt with in III above. No loans are advanced to individuals other than members of Cooperative societies.	Loans are advanced to private parties upto 75 % of the value of security offered. Centre and State bear this in the ratio of 2 : 1 The loans are advanced for 10 years at the rate of 3% per annum.	Handicrafts artisan are also eligible for loan under State Aid to Industries Act. In such cases where the party concerned does not receive assistantce from H. C. Board.	N. A.	N. A.	As in Handicrafts.	N. A.
2. Loans to Coop. Societies.	Coop. Societies get loan on the same condition as above but with a lower rate of interest of 2½% per annum.		N.A.	N.A..	N.A.	N.A.	N.A.
3. Sharing of losses in recovery of loans.		The Centre and State would bear losses in the ratio of their contribution. When the Central Government contributes more than 75 % losses would be borne on 50 : 50 basis.	N.A.	N.A.	N.A.	N.A.	N.A.

4. Rate of Interest free interest.		3 % per annum for private parties and 2½% to Coop. Societies.	2½% for coop.	Same as in cl. 4	N.A.	N.A.	N.A.
Subsidy & Rebate							
1. Subsidy on production.	Nil.	Nil.	Nil.	Nil.	Nil.	1. 37 nP per maund of paddy for handpounding of rice.	1. Subsidy for-self sufficiency @ 75% of the weaving charges of annas 5 per sq. yd. which ever is less.
						2. Upto Rs.250/- per ton of Handmade paper subject to actual losses suffered.	2. A subsidy of 3 nP per rupee is given on production and/or sale to all khadi producing centres.
						3. Subsidy of Rs. 2·5 per maund of Neem and other non-edible oils used.	3. Another 3 nP per rupee is given to institutions showing improvement over their previous year production and/or sale.
Rebates	6 nP per rupee worth of cloth sold through coop. institutions and State Govt. Sale's Deptt.	Nil.	Nil	Nil.	Nil	Rs. 1·87 per maund is allowed on the sale of Ghanie oil.	19 nP per rupee worth of khadi (Amber & traditional) sold

1	2	3	4	5	6	7	8
3. Subsidy on interest	Loan is interest free the interest charges are borne out of Cess Fund.	The difference between the rate of interest which the State Govt. advanced and at the r te which they are lending to private parties and co-operatives is borne by the Central Government.	Same as for S.S.I.	Same as for S.S.I.	Same as for S.S.I.	N.A.	N.A.
4. Subsidy on supply of power	N.A.	The Central & States bear in equal proportions such loss to a private electricity company as they would incur by supply of electric power to S. S. I. at concessional rates of 1 anna 6 pies per unit.	N.A.	N.A.	N.A.	N.A.	N.A.
Housing Colonies							
Loans & Grants	Grants of 33⅓% Loans 66⅔% as 25 years loan. Interest rate 4½% ceiling of Rs. 3,600/- per house.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Strengthening of the Staff of Industries Deptt. of State Govt	Organisational expenses up to 4% of the ceiling share of the State subject to actual expenditure incurred being equal to 4%	50% of the cost of the additional staff including salaries & allowances (excluding T. A.) would be given as a grant.	Same As for S.S.I.	Same As for S.S.I.	Same As for S.S.I.	Same As for S.S.I.	Same As for S.S.I.
III. Loans to states for industrial Estates.		Long term loans (20 years) are sanctioned to State Govt. for construction of Industrial Estate. The extent of loans depends upon the size of the estate. The interest rate is 4½%.					

APPNEDIX G

PARTICULARS OF INDUSTRIAL COOPERATIVES IN INDIA
STATEMENT NO. 1

Number of Societies—Statewise as on 30th June 1956

	Name of the State	No. of Handloom Weavers Societies	No. of Palm Gur Societies	No. of other Industrial Cooperatives	Total
1.	Andhra Pradesh	653	741	138	1532
2.	Assam	645	—	92	737
3.	Bihar	680	—	247	927
4.	Bombay	563	24	686	1273
5.	Madhya Pradesh	280	—	26	306
6.	Madras	842	1605	163	2610
7.	Orissa	412	—	314	726
8.	Punjab	282	—	574	856
9.	Uttar Pradesh	1009	—	371	1380
10.	West Bengal	914	—	289	1203
11.	Hyderabad	268	4	224	496
12.	Jammu & Kashmir	—	—	8	8
13.	Madhya Bharat	185	—	265	450
14.	Mysore	173	—	401	574
15.	Pepsu	107	—	155	262
16.	Rajasthan	569	—	422	991
17.	Saurashtra	39	—	205	244
18.	Travancore-Cochin	46	48	61	155
19.	Ajmer	53	—	65	118
20.	Bhopal	14	—	35	49
21.	Coorg	2	—	2	4
22.	Delhi	22	—	218	240
23.	Himachal Pradesh	5	—	18	23
24.	Cutch	19	—	9	28
25.	Manipur	34	—	24	58
26.	Pondicherry	13	—	3	16
27.	Tripura	24	—	10	34
28.	Vindhya Pradesh	30	—	3	33
	Total	7883	2422	5028	15333

STATEMENT NO. II

Number of Members of Industrial Co-operatives as on the 30th June 1956

	Name of State	Handloom Weavers' Societies	Palm Gur Societies	Other Societies	Total
1.	Andhra Pradesh	1,25,854	55,633	16,894	1,98,381
2.	Assam	13,823	—	2,819	16,642
3.	Bihar	61,615	—	6,927	68,542
4.	Bombay	69,840	870	29,646	1,00,356
5.	Madhya Pradesh	47,580	—	1,268	48,848
6.	Madras	1,54,663	1,15,000	14,991	2,84,654
7.	Orissa	35,373	—	19,341	54,714
8.	Punjab	4,877	—	8,786	13,663
9.	Uttar Pradesh	1,02,908	—	16,694	1,19,602
10.	West Bengal	63,244	—	9,510	72,754
11.	Hyderabad	1,52,034	89	7,882	1,60,005
12.	Jammu & Kashmir	—	—	1,506	1,506
13.	Madhya Bharat	4,080	—	4,166	8,246
14.	Mysore	14,355	—	1,14,441	1,28,796
15.	Pepsu	2,128	—	2,515	4,643
16.	Rajasthan	20,038	—	11,983	32,021
17.	Saurashtra	3,246	—	6,808	10,054
18.	Travancore-Cochin	9,379	5,760	9,921	25,060
19.	Ajmer	977	—	980	1,957
20.	Bhopal	526	—	604	1,130
21.	Coorg	69	—	39	108
22.	Delhi	436	—	4,951	5,387
23.	Himachal Pradesh	161	—	560	721
24.	Cutch	495	—	187	682
25.	Manipur	2,100	—	96	2,286
26.	Pondicherry	1,364	—	136	1,500
27.	Tripura	2,229	—	166	2,395
28.	Vindhya Pradesh	960	—	641	1,601
	Total :	8,94,444	1,77,352	2,94,458	13,66,254

STATEMENT NO. III—DETAILED STATE-WISE DATA.

NAME OF THE STATE --ANDHRA PRADESH

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956.

(Rs. in lakhs)

Types of Co-operatives.	No. of Societies.	No. of memebers.	Paid up share Capital.	Working Capital.	Value of raw-material purchased.	Value of goods produced.	Value of goods sold.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	653	1,25,854	55.86	158.42	—	211.54	240.21
B. Palm Gur or Khandasari Societies	741	55,633	1.28	—	—	7.64	9.38
C. Other Industrial Co-operatives:—							
1. Carpet Makers	3	324	0·09	0.09	0·31	0·28	0·45
2. Cumbly weavers	9	657	0·04	0·04	0·08	0·15	0·21
3. Hand spinning and Khadi weavers	13	5029	1·11	3·41	—	2·95	3·23
4. Mat weavers	7	367	0·02	0·02	0·03	0·03	0·02
5. Tape weavers	5	498	0·06	0·06	0·01	0·03	0·04
6 Leather workers	11	557	0·14	0·14	0·15	0·21	0·17
7. Basket makers	2	63	0·005	0·005	—	—	—
8 Toy makers	2	87	0·03	0·03	—	0·14	0·16
9. Pot makers		92	0·003	0·003	—	—	—
10. Brick makers	1	81	0·01	0·01	—	0·01	0·01
11. Cart makers	2	42	0·03	0·03	—	—	—
12. Wood workes	10	399	0·17	0·17	0·67	0·65	0·87
C/F.	67	8196	1·708	4·008	1·25	4·45	5·16

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
B.F.	67	8196	1·708	4·008	1·25	4·45	5·16
13. Tailors Societies	2	49	0·01	0·01	—	—	—
14. Metal workers.	8	1100	0·46	0·46	2·58	2·88	3·08
15. Women cottage Industries.	32	3696	0·25	0·25	0·51	0·63	0·66
16. Oil producers.	4	130	0·10	0·10	1·34	1·36	1·33
17. Comb makers societies.	2	50	0·02	0·02	—	0·01	0·01
18. Honey Production & Sale Societies.	6	231	0·005	0·005	—	—	—
19. Hand Pounded rice Societies.	2	61	0·005	0·005	0·39	0·33	0·41
20. Match & Fire works Coops.	2	198	0·02	0·02	0·06	0·12	0·12
21. Misc. types of cottage Industries.	13	3183	0·20	0·20	0·1	0·21	0·18
Total (C)	138	16,894	2·778	5·078	6·23	9·99	10·95

Source of Information:—Administration Report for 55-56.

NAME OF THE STATE—ASSAM

Particulars about the primary Industrial Co-operatives as on 30th June 1956.

(Rs. in Lakhs)

Types of co-operatives	No. of Societies	No. of Members	Paid up Share capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives . . .	645	13,823	1·24	5·68	N.A.	6·01	6·72
B. Palm Gur or Khandasari Societies . . .	—	—	—	—	—	—	—
C. Other Industrial Co-operatives . . .	92	2,819	1·22	3·53	N.A.	N.A.	0·98*

*Break up figures not available industry-wise.
Source of information: Reserve Bank of India's 'Review of Co-operative Movement in India 1954-56.'

NAME OF THE STATE—BIHAR

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956.

(Rs. in Lakhs)

Types of Co-operatives.	No. of Societies.	No. of members.	Paid up share capital.	Working Capital	Value of raw-material purchased.	Value of goods produced.	Value of goods sold.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives. . . .	680	61,615	5·06	21·61	N.A.	169·39	180·95
B. Palm Gur or Khandasari Societies.. . .	—	—	—	—	—	—	—
C. Other Industries Co-operatives. . . .							
1. Ind. Vishwakarma Co-operatives Society .	42	2272	0·39	0·64	N.A.	N.A.	0·75
2. Oil Producer's Co-operatives Society .	141	2134	0·21	0·89	N.A.	1·82	1·78
3. Other Industrial Co-operatives . .	64	2521	0·71	2·26	N.A.	N.A.	4·06
Total	247	6927	1·31	3·79	N.A.	1·82	6·59

Source of Information:—Administration Report —"Review of the Co-operative Movement in India-1954-56"—Reserve Bank of India.

NAME OF THE STATE : BOMBAY

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Cooperatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weaver' Co-operatives	563	69,840	27·79	108·72	N. A.	N. A.	189·96
B. Neera & Palm Producers Societies	24	870	N. A.	N. A.	N. A.	N. A.	3·33
C. Other Industrial Cooperatives :							
1. Tanners and Leather Workers	230	6,450					12·04
2. Carpenters & Smiths	83	2,522					3·44
3. Coir & Rope Workers	56	2,329					0·43
4. Metal Workers	16	413					0·49
5. Beekeeping Industry	12	3,344			Not available		N. A.
6. Dyeing & Printing Societies	11	484					0·63
7. Oil Producers Societies	58	2,224					10·62
8. Cane & Bamboo Workers Societies	54	1,880					0·43
9. Other Industries	166	10,000					9·97
TOTAL (C)	686	29,646					38·05

Source of Information—Administration Report & Reserve Bank's "Review of Cooperative Movement 1954-56."

NAME OF THE STATE: MADHYA PRADESH

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	280	47,580	10·48	51·44	—	86·00	82·23
B. Palm Gur or Khandasari Societies	—	—	—	—	—	—	—
C. Other Industrial Co-operatives :							
1. Brass & Metal Workers Society	6	283	0·23	N. A.	N. A.	16·84	1·75
2. Leather workers	14	450	0·16	N. A.	N. A.	10·56	0·84
3. Home Industries for workers	2	183	0·20	N. A.	N. A.	0·16	0·37
4. Other types	4	352	0·44	N. A.	N. A.	0·20	0·19
TOTAL (C)	26	1,268	1·03	..	..	27·76	3·15

Source of Information :—Reserve Bank's "Review of the co-operative movement in India" 1954-56.

NAME OF THE STATE : MADRAS

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives . . .	842	1,54,663	72·12	277·86	—	646·70	589·22
B. Palm Gur or Khandasari Societies . . .	1,605	1,15,000	6·92	—	—		
C. Other Industrial Co-operatives :				—	—	102·77	49·44
1. Carpet Weavers	1	116	0·08	0·08	N. A.	0·39	0·53
2. Cumbly Weavers	2	206	0·08	0·18	N. A.	N. A.	0·51
3. Mat Weavers	18	1,067	0·11	0·36	0·22	1·05	1·04
4. Handspinners & Khadi Weaving . .	6	1,000	0·06	0·25	N. A.	1·64	1·39
5. Metal Workers	12	1,317	0·67	1·86	0·53	0·57	0·68
6. Leather Workers	2	130	0·02	0·09	0·21	0·30	0·33
7. Potters & Clay Workers	7	499	0·11	0·48	N. A.	0·88	1·00
8. Coir Workers	13	1,549	0·17	0·40	0·29	0·35	0·37
9. Stone Carvers	2	121	0·003	0·02	0·001	0·001	0·001
10. Cottage Industries Co-op. Societies for women :							
(a) Central Societies	1	28	0·01	0·07	0·13	0·19	0·22
(b) Others	35	3,772	0·22	0·46	0·14	0·26	0·28
C. F.	99	9,805	1·533	4·25	1·521	5·631	6·381

NAME OF THE STATE : MADRAS—(*Contd.*)

(Rs. in lakhs)

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			Rs.	Rs.	Rs.	Rs.	Rs.
B. F.	99	9,805	1·533	4·25	1·521	5·631	6·381
11. Bee Keeping	10	915	0·06	0·06	—	0·06	0·10
12. Hand Pounded Rice Workers	9	414	0·04	0·10	0·15	0·16	0·15
13. Oil Producers	6	231	0·24	0·50	4·97	4·14	5·47
14. Bamboo Cottage Industrial Societies	6	576	0·07	0·17	0·09	0·20	0·22
15. Artisans	21	2,288	0·48	1·55	3·45	3·14	5·76
16. Rope & Tape Makers	2	166	0·06	0·50	0·98	1·70	1·77
17. Tanneries	1	56	0·02	0·09	0·20	0·22	0·15
18. Other types of Societies	9	540	0·07	0·20	0·13	0·28	0·33
TOTAL (C)	163	14,991	2·57	7·42	11·49	15·53	20·35

Source of Information : Weavers' Societies and Palm Jaggery Society—Adminisration Report. Other Industrial Societies—Registrar's Report for the Reserve Bank's "Review of Cooperative Movement in India 1954-56".

NAME OF THE STATE—ORISSA

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Cooperatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Primary Weavers' Co-operatives	412	35,373	Rs. 3·74	Rs. 28·23	Rs. N. A.	Rs. 75·00	Rs. 82·00
B. Palm Gur or Khandasari Societies	—	—	—	—	—	—	—
C. Other Industrial Co-operatives							
1. Filigree workers	1	108					
2. Ghani	17	526					0·80
3. Electric workers	1	44					0·76
4. Yarn Distribution	127	9,985			Not available		0·77
5. Village Cottage Industries	20	670					0·55
6. Confectionery	2	185					0·31
7. Horn workers	2	135					0·29
8. Other Industries	144	7,688					0·22
							1·07
TOTAL (C)	314	19,341					4·77

Source of Information :—Administration Report & Reserve Bank's "Review of the Co-operative Movement in India for the year 1954-55."

NAME OF THE STATE—PUNJAB

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital Rs.	Working Capital Rs.	Value of raw-material purchased Rs.	Value of goods produced Rs.	Value of goods sold Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Primary Weavers' Co-operatives	282	4,877	1·71	9·50	10·40	16·38	15·30
B Palm Gur or Khandsari Societies	—	—	—	—	—	—	—
C. Other Industrial Co-operatives :							
1. Leather Industries	367	6,063	0·85	12·83	6·51	7·27	N. A.
2. Hosiery Societies	11	153	0·18	0·45	Not available		
3. Metal Workers Societies	57	670	1·43	4·15	Not available		
4. Oil Producers Societies	28	348	0·25	0·88	Not available		
5. Furniture Makers Societies	25	361	0·72	2·43	Not available		
6. Sports Goods Societies	5	58	0·18	0·46	Not available		
7. Bicycle Manufacturing Societies	9	123	0·97	1·73	Not available		
8. Rope, Bar Making & Basket Makers' Societies	9	128	0·03	0·13	Not available		
9. Other Societies	63	882	1·40	4·85	Not available		
TOTAL (C)	574	8,786	6·01	27·91	6·51	7·27	N. A.

Source of Information;— Weavers Societies—Administration Report; Other Societies Registrar's report for Reserve Bank's "Review of the India Cooperative Movement in India 1954-56".

NAME OF THE STATE—UTTAR PRADESH

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Cooperatives	No. of Societies	No. of members	Paid up Share Capital Rs.	Working Capital Rs.	Value of raw-material purchased Rs.	Value of goods produced Rs.	Value of goods sold Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Primary Weavers' Co-operatives	1,009	1,02,908	17·31	72·08	—	493·00	—
B. Palm Gur or Khandasari Societies	—	—	—	—	—	—	—
C. Other Industrial Cooperatives :				—	—	—	—
1. Leather	28	106	—	—	—	0·17	—
2. Brass metal workers	9	817	—	—	—	0·96	—
3. Tanners Societies	11	150	—	—	—	0·30	—
4. Woollen goods producers	23	111	—	—	—	0·44	—
5. Tar Gur	1	N. A.	—	—	—	—	—
6. Printers Societies	11	142	—	—	—	0·11	—
7. Wood Workers Co-operatives	10	92	—	—	—	0·65	—
8. Tailoring Cooperatives	4	34	—	—	—	0·30	—
9. Smithy	5	27	—	—	—	—	—
10. Bait Udhyog	3	12	—	—	—	—	—
11. Biri	5	63	—	—	—	0·03	—
12. Hosiery manufacturing	1	18	—	—	—	0·04	—
13. Paper making	1	N. A.	—	—	—	N. A.	—
14. Soap making	3	38	—	—	—	0·11	—
15. Miscellaneous types	256	14,580	—	—	—	7·46	—
TOTAL (C)	371	16,694				10·57	

Source of Information. :— Weavers Societies—Administration report for 1955-56 . Other Industrial Cooperatives—Report of the Registrar for the Reserve Bank's "Review of Cooperative Movement in India 1954-56".

NAME OF THE STATE—WEST BENGAL

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Cooperatives	No. of Societies	No. of members	paid up Share Capital Rs.	Working Capital Rs.	Value of raw-material purchased Rs.	Value of goods produced Rs.	Value of goods sold Rs.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Primary Weavers' Co-operatives . . .	914	63,244	N. A.	17·93	N. A.	19·34	19·73
B. Palm Gur or Khandasari Societies . . .	—	—	—	—	—	—	—
C. Other Industrial Cooperatives :							
1. Conchshell Makers Societies . . .	15	457	—	—	—	0·46	—
2. Cocoon rearers Societies	41	585	—	—	—	2·57	—
3. Industrial Workers Societies . . .	84	2,393	—	—	—	6·28	—
4. Bell Metal Workers Societies . . .	17	1,601	—	—	—	0·06	—
5. Potters Societies	9	149	—	—	—	0·04	—
6. Shoe makers Societies	14	278	—	—	—	0·04	—
7 Blacksmith Societies	9	200	—	—	—	0.10	—
8. Carpenters Societies	4	85	—	—	—	—	—
9. Cutlery Societies	1	19	—	—	—	0·40	—
10. Bidi Producers Societies	2	151	—	—	—	—	—
11. Basket makers Societies	1	10	—	—	—	—	—
12. Braziers Societies	7	482	—	—	—	1·47	—
TOTAL (C) C.F.	204	6,410				10·42	

NAME OF THE STATE—WEST BENGAL

Particulars about the Primary Industrial Co-operatives as on 30th June, **1956.**

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
B.F.	204	6,410	..	..	..	10,42	..
13. Bead makers Societies	1	20	..	..	..		
14. Rajmistry	1	11	..	..	..	..	..
15. Hosiery	1	25	..	..	..	..	..
16. Silpa	4	92	..	..	..	0·34	..
17. Silk	5	318	..	..	..	0·02	..
18. Toy makers	2	32	..	..	..	2·05	..
19. Gur silpa	34	1,013	..	..	..	..	..
20. Madur silpa	13	694	..	..	..	..	..
21. Craft & Industrial Society	1	100	..	..	..	0·36	..
22. Horn Goods Producers' Societies	2	113	..	..	..	0·19	..
23. Tile makers	2	163	..	..	..	0·07	..
24. Oil Producers	9	196	..	..	..	0·05	..
25. Paper Manufaacturing	1	55	..	..	..	0·11	..
26. Button Manufcturing	1	15	..	..	..	0·17	..
27. Concrete goods makers	1	60	..	..	..	..	..
28. Tassar Producers	2	98	..	..	..	0·01	..
29. Rope makers Societies	1	15	..	..	..	..	..
30. Blanket makers	1	35	..	..	..	..	..
31. Soap Manufacturing	1	15	..	..	..	..	..
32. Bamboo workers	2	30	..	..	..	..	..
TOTAL (C)	289	9,510	..	..	..	13·79	..

Source of Information : Weavers' Societies :—Administration Report.
Other Societies.—Reserve Bank's "Review of the Cooperative movement in India 1954-56."

NAME OF THE STATE—HYDERABAD

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of cooperatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Cooperatives	268	1,52,034	34·14	129·13	333·78	..	329·65
B. Toddy Tappers Societies	4	89	0·02	0·02	N.A.	N.A.	N.A.
C. Other Industrial Cooperatives :—							
1. Paper making	7	263	N.A.	0·81	..	..	0·48
2. Goldsmith	16	502	N.A.	0·97	..	..	0·66
3. Iron and Steel Workers	11	412	N.A.	0·38	..	..	0·002
4. Handicrafts	11	301	N.A.	0·28	..	..	0·22
5. Dyeing & Printing	4	89	N.A.	0·10	..	..	0·22
6. Leather and Tanning	53	1,620	N.A.	1·97	..	..	0·39
7. Tailors	10	432	N.A.	0·56	..	..	0·22
8. Match Workers	10	213	N.A.	0,14	..	..	0·05
9. Misc. Industries	102	4,050	N.A.	9·26	..	..	5·87
TOTAL (C)	224	7,882	N.A.	14·47	..	..	8·112

Source of information : Registrar's Report for Reserve Bank's "Review of Cooperative Movement in India 1954—56."

NAME OF THE STATE—JAMMU & KASHMIR

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956.

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	..	..	..	..	..	..	..
B. Palm Gur or Khandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Co-operatives :—							
1. Carpet making	1	67	0·07	..	..	0·93	0·78
2. Pashmina	1	434	0·03	..	..	0·89	0·48
3. Wood carving	1	109	0·01	..	..	0·11	0·04
4. Papier machie	1	340	0·01	..	..	0·26	0·10
5. Turqoise	1	22	0·01	..	..	0·11	0·08
6. Chain stitch	1	12	0·003	..	..	0·10	0·11
7. Sheep and Goat skin	1	20	0·07	..	..	2·27	2·31
8. Gubba	1	502	0·03	..	..	0·26	0·32
TOTAL (C)	8	1,506	0·233	..	..	4·93	4·22

Source of Information:—Administration Report.

NAME OF THE STATE—MADHYA BHARAT

Particulars about the Primary Industrial Cooperatives as on 30th June 1956.

(Rs. in lakhs)

Types of Cooperatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weaver's Cooperatives	185	4,080	0·38	3·51	..	..	14·50
B. Palm Gur of Khandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Cooperatives:—							
1. Tanners Cooperative Society	71	799	..	..	..	..	..
2. Oil Pressing Society	30	226	..	..	..	..	..
3. Wool Weavers Society	21	561	..	..	..	..	..
4. Bamboo Workers Society	6	60	..	..	..	..	..
5. Brick Making Society	6	60	..	..	..	..	..
6. Dyers & Printers Society	5	57	..	..	..	..	..
7. Miscellaneous Society	126	2,403	..	..	..	..	..
TOTAL (C)	265	4,166	1·46*	4·85*	..	..	1·80*

*Break up figures not available.

Source of information : Registrars Report for the Reserve Bank's "Review of Cooperative movement in India 1954—56."

NAME OF THE STATE—MYSORE

Particulars about the Primary Industrial Cooperatives as on 30th June, 1956.

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
Primary Weavers' Cooperatives	173	14,355	3·09	10·12	..	..	10·82
Palm Gur or Khandasari Societies . . .	..	..	..	..	..	..	..
Other Industrial Cooperatives	401	1,14,441	29·17	..	..	..	10·12*

*Break up figures not available

Source of Information : Registrar's Report for the Reserve Bank's "Review of the Cooperative Movement in India, 1954—56".

NAME OF THE STATE—PEPSU

Particulars about the Primary Industrial Cooperatives as on 30th June, 1956.

(Rs. in lakhs)

Type of Co operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weaver's Co-operatives	107	2,128	0·50	1·3	N.A.	N.A.	0·40
B. Palm Gur or Khandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Cooperatives:—							
1. Shoe makers Industrial	23	371				0·33	N.A.
2. Wooden Industrial	6	106				0·53	N.A.
3. Bamboo Industrial	2	24				N.A.	N.A.
4. Sewing Machines part Industrial	2	27				N.A.	N.A.
5. Cottage Industrial	13	171				N.A.	N.A.
6. Flour Mills	2	24	Not available			N.A.	N.A.
7. Iron Industrial	36	721				0·04	N.A.
8. Laces Making	3	33				2·91	N.A.
9. Fibre Making	9	111				N.A.	N.A.
10. Cycle Parts	10	168				0·02	N.A.
11. Calico Printing	2	26				0·12	N.A.
12. Oil Industrial	3	56				..	N.A.
13. Radio Industrial	1	14				0·66	N.A.
14. Leather works	43	663				00·9	N.A.
						0·20	N.A.
TOTAL (C)	155	2,515				4·90	

Source of Information : Registrar's Report for Reserve Bank's "Review of Cooperative movement in India 1954—56".

NAME OF THE STATE—RAJASTHAN

Particulars about the Primary Industrial Cooperatives as on 30th June, 1956.

(Rs. in lakhs)

Types of co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-materials purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Cooperatives	569	20,038	2·11	9·22	N.A.	N.A.	5·75
B. Palm Gur or Khandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Cooperatives :—							
1. Tanners	55	1,130	..	..	..	0·34	..
2. Leather Workers	83	1 792	..	..	..	0·34	..
3. Labour Contract	33	932	..	..	..	0·66	..
4. Tar Gur	17	339	..	..	..	0·17	..
5. Tel Ghani	17	432	..	..	..	0·05	..
6. Calico Printers	19	642	..	..	..	0·01	..
7. Hand Made Paper	9	195	..	..	..	0·96	..
8. Black Smiths	15	248	..	..	..	1·98	..
9. Carpenters	10	222	..	..	..	1·25	..
10. Bone Collection	8	128	..	..	..	0·02	..
11. Un Udyog	5	1,806	..	..	..	0·02	..
12. Other Industrial Societies	151	4,117	..	..	..	1·88	..
TOTAL (C)	422	11.983	..	..	..	7·68	..

Source of information : Registrar's Report for Reserve Bank's "Review of Cooperative movement in India 1954—56."

NAME OF THE STATE—SAURASHTRA

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Cooperatives . . .	39	3,246	0·69	2·60	N.A.	N.A.	2·18
B. Palm Gur or Khandasari Societies . . .	..	..	..	..	..	..	..
C. Other Industrial Cooperatives . . .	205	6,808	1·03	9·53	N.A.	N.A.	1·13*

*Break up figures not available.

Source of Information: Registrar's Report for the Reserve Bank's "Review of Cooperative Movement in India, 1954-56".

NAME OF THE STATE—TRAVANCORE-COCHIN

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weaver's Cooperatives	46	9,379	0·95	2·84	..	10·55	11·12
B. Palm Gur	48	5,760	0·35	0·59	..	1·06	1·14
C. Other Industrial Cooperatives :							
1. Oil crushing societies	5	207	..	..	..	0·43	N.A.
2. Furniture & Tools making societies	4	357	..	..	..	0·84	0·78
3. Pottery Societies	3	117	..	..	..	0·21	0·23
4. Leather works	3	87	..	..	..	0·18	0·19
5. Ivory works	2	..	..	..	..	0·04	N.A.
6. Bee-Keeping	23	..	0·39	..	..	0·98	N.A.
7. Other Cottage Industries	21	9,153	2·82	6·82	..	5·29	2·44
TOTAL (C)	61	9,921	3·21	6·82	..	7·97	3·64

Source of information : Administration Report.

NOTE.—As on 30th June 1956, there were 25 Thondu Societies, 160 Primary Societies and two Central Marketing Societies in the State.

Source : Report by A.C.O., Reserve Bank, regarding " A Study in the Coir Industry".

NAME OF THE STATE—AJMER

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956.

(Rs in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	53	977	0·09	1·20	0·47	..	0·26
B. Palm Gur or Khandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Co-operatives	65	980	0·43	3·45	N.A.	..	2·34*

*Break up figures not available.

Source of information : Registrar's Report for Reserve Bank' " Review of Co-operative Movement in India, 1954-56".

NAME OF THE STATE—BHOPAL

Particulars about the Primary Industries Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives . . .	14	526	0·35	..	..	..	..
B. Palm Gur or Khandasari Societies . .	..	..	..	..	..	..	..
C. Other Industrial Cooperatives :							
1. Charamkars Societies	24	402	Not available.				
2. Brick Makers	6	95					
3. Oilmen	4	89					
4. Wood Turners	1	18				1·00	N.A.
TOTAL (C) . . .	35	604				1·00	

Source of information: Report of the Registrar for Reserve Bank's "Review of Co-operative Movement in India, 1954-56."

NAME OF THE STATE—COORG

Particulars about the Primary Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	2	69	0·01	0·17	..	..	0·19
B. Palm Gur or Khandasari Societies . .	..	..	..	..	..	..	..
C. Other Industrial Co-operatives :							
1. Furniture & House fittings makers Co-operative Society	1	17	0·002	0·11	..	0·02	..
2. Brick Makers Society	1	22	0·001	N.A.	..	0·14	..
TOTAL (C) . .	2	39	0·003	0·11	..	0·16	..

Source of information : Administration Report.

NAME OF THE STATE—DELHI

Particulars about the Primary Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	22	436	0·21	0·64	..	..	0·37
B. Palm Gur or Khandsari Societies . . .							
C. Other Industrial Co-operatives :							
1. Iron and Steel	33	837	..	..	..	6·58	..
2. Stationery goods	4	105	..	..	..	2·27	..
3. Leather goods	26	489	..	..	..	2·08	..
4. Textiles	13	405	..	..	..	1·13	..
5. Printers and Press Workers . . .	12	249	..	..	..	3·56	..
6. Calico Printing and Embroidery . .	20	328	..	..	..	0·47	..
7. Optical Goods	6	78	..	..	..	0·63	..
8 Radio and Electrical Goods . . .	11	285	..	..	..	2·87	..
9. Musical Instrument, & Toys . .	2	38	..		..	0·24	..
10. Tailoring	13	1,48	..	..	..	0·73	..
TOTAL (C) . .	140	2,962	..	..	..	20·56	..

DELHI—*contd.*

1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
11. Perfumery and Oil	3	72	..	..	..	0·24	..
12. Brick Kiln & Building materials	10	268	..	..	..	6·87	..
13. Zardozi and Caps	3	47	..	..	..	0·42	..
14. Food Stuff	8	109	..	..	..	0·62	..
15. Automobiles	1	15	..	..	..	0·69	..
16. Ivory Goods	1	14	..	..	..	0·38	..
17. Matches	1	12	..	..	..	0·13	..
18. Furniture	5	58	..	..	..	0·8	..
19. Scientific & Surgical Inst.	3	54	..	..	..	1·12	..
20. Machinery and Cycle parts	8	104	..	..	..	1·31	..
21. Chemicals	1	15	..	..	..	0·89	..
22. Mirror	1	32	..	..	..	0·33	..
23. Rubber Industry	1	18	..	..	..	0·24	..
24. Jewellery	2	14	..	..	..	1·05	..
25. Others	30	1,157	..	..	..	2·67	..
TOTAL (C)	218	4,951	..	..	..	38·37	..

Source of information :—Registrar's Report for Reserve Bank's "Review of Co-operative Movement in India—1954-56".

NAME OF THE STATE—HIMACHAL PRADESH

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No .of members	Paid -up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	5	161	0·04	0·27	..	0·04	0·02
B. Palm Gur or Knandasari Societies	..	..	..	..	..	..	..
C. Other Industrial Co-operatives :							
1. Leather goods and shoe-making	10	373	Not available (items 1–8)			1·31	N.A.
2. Slate manufacturing		59				N.A.	N.A.
3. Silk Work	1	10				N.A.	N.A.
4. Oil producers	1	19				N.A.	N.A.
5. Furniture and wood-work	1	23				0·53	N.A.
6. Hosiery and Sewing	2	52				N.A.	N.A.
7. Basket making	1	11				N.A.	N.A.
8. Pharmaceutical works	1	13				N.A.	N.A.
TOTAL (C)	18	560	..	..	..	1·84	..

Source of Information :—Report of the Registrar for Reserve Bank's "Review of Co-operative Movement in India—1954-56".

NAME OF THE STATE—CUTCH

Particulars about the Primary Co-operatives as on 30th June, 1956

(Rs. in lakhs).

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers Co-operatives . . .	19	495	0·04	0·05	0·37	0·24	0·29
B. Palm Gur or Khandsari Societies . .	..	..	..	..	..	..	..
C. Other Industrial Co-operatives,							
1. Tanners Societies	3	56	Not Available			0·09	..
2. Oil Ghani Societies	1	5				N.A.	.
3. Miscellaneous Industries Societies . .	5	116				0·18	..
TOTAL (C)	9	187	..	..	..	0.27	..

Source of Information :—Registrar's Report for the Reserve Bank's " Review of the Co-operative Movement in India —1954-56".

NAME OF THE STATE—MANIPUR

Particulars about Industrial the Primary Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives	34	2,190	0·33	1·91	..	..	1·93
B. Palm Gur or Khandsari Societies	..	..	..	..	..	..	..
C. Other Industrial Co-operatives :							
1. Soap making	1	10	0·08	..	..	0·25	..
2. Tailoring	3	..	..	..	..	..	..
3. Jewellery and Gold ornaments . . .	4	..	..	..	..	..	..
4. Oil pressing	10	..	..	..	..	..	..
5. Carpentry	3	36	0·03	..	..	..	..
6. Leather works	1	17	0·007	0·11	..	0·20	..
7. Tin work and Hardware . . .	2	33	0·007	..	..	..	..
TOTAL (C) . . .	24	96	0·124	0·11	..	0·45	..

Source of information :—Registrar's Report for the Reserve Bank's " Review of the Co-operative Movement in India—1954-56".

NAME OF THE STATE—PONDICHERY

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of Members	Paid up Share Capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Cooperatives . . .	13	1,364	0·29	1·66	..	..	3·41
B. Palm Gur or Khandasri Societies . .	..	..	..	..	..	..	..
C. Other Industrial Cooperatives :							
1. Toy Makers	1	20	..	..	·01	..	0·005
2. Mat Weavers	1	35	..	..	·02	..	·02
3. Ladies Cottage Industries.	1	81	..	..	·02	..	·02
TOTAL (C) . . .	3	136	..	..	·05	..	·045

Source of information :—Registrar's Report for Reserve Bank's "Review of Co-operative Movement in India—1954-56".

NAME OF THE STATE—TRIPURA.

Particulars about the Primary Industrial Co-operatives as on 30th June, 1959

(Rs. in lakhs)

Types of Co-operatives	No. of Societies	No. of members	Paid up Share Capital	Working Capital	Value of raw-material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Co-operatives . .	24	2,229	0·13	0·48	..	..	N.A.
B. Palm Gur or Khandasari Societies . .	..	..	..	..	..	..	..
C. Other Industrial Co-operatives :							
1. Cottage Industries	2	44	..	..	..	0·001	..
2. Tailoring	1	29	..	..	..	0·002	..
3. Oil-men's Society	4	33	..	..	..	0·20	..
4. Charmakers	1	33	..	..	..	0·004	..
5. Carpenters	1	10	..	..	..	0·001	..
6. Basket making	1	17	..	..	..	0·003	..
TOTAL (C) . . .	10	166	..	..	..	0·211	..

Source of Information:—Registrar's Report for Reserve Bank's "Review of Co-operative Movement in India—1954-56".

NAME OF THE STATE : VINDHYA PRADESH

Particulars about the Primary Industrial Co-operatives as on 30th June, 1956

(Rs. in lakhs)

Types of Cooperatives	No. of societies	No. of members	Paid up Share capital	Working Capital	Value of raw material purchased	Value of goods produced	Value of goods sold
1	2	3	4	5	6	7	8
			Rs.	Rs.	Rs.	Rs.	Rs.
A. Primary Weavers' Cooperatives . .	30	960	0·26	0·50	..	..	0·60
B. Palm Gur or Khandasari Societies . . .	..	..	..	..	..	..	..
C. Other Industrial Cooperatives . . .							
1. Cota chue Production	2	576	..	..	..	2·58	..
2. Furniture Making	1	65	..	..	..	0·02	..
TOTAL (C)	3	641	..	..	..	2·60	.

Source of Information :—Rgistrar's Report for Reserve Bank's "Review of Co-operatives Movement in India—1954-56".

APPENDIX H

List of Industries for which Industry Outlook Reports have been published by the Development Commissioner for Small Scale Industries.

1. Agricultural implements.
2. Automobile batteries.
3. Automobile leaf springs.
4. Beam scales.
5. Bicycle parts.
6. Boot polish.
7. Brass electric lamp-holders.
8. Builders' hardware.
9. Centrifugal pumps.
10. Diesel oil engines.
11. Domestic utensil.
12. Electric porcelain-ware.
13. Fruit and vegetable preservation and canning.
14. Glass bangles.
15. Glass beads
16. Glass scientific apparatus.
17. Hand-tools.
18. Hosiery.
19. Industrial fasteners (bolts, nuts and rivets)
20. Leather footwear.
21. Machine tools.
22. Padlocks.
23. Sewing machines & parts.
24. Small scale bicycle and rickshaw parts.
25. Soap.
26. Sports goods.
27. Surgical instruments.
28. Textile machinery and spare parts.
29. Umbrella ribs.
30. Wood screws, wire-nails and panel pins.

APPENDIX I

List of Model Schemes for Small Industries Published by the Development Commissioner for Small-Scale Industries.

1. How to manufacture Footballs.
2. Wood Sheathed Slate Pencils.
3. Tool Room Shop. (Revised).
4. Small Centre Lathes. (Revised).
5. Manufacture of Enamelled Single and Double Cotton covered Copper Wire.
6. Manufacture of Activated Charcoal from the Rice Husk (Revised).
7. Manufacture of panel Pins & Wire Nails.
8. Manufacture of Caffeine from Tea Waste (Revised).
9. Manufacture of Writing Inks. (Revised).
10. Manufacture of Milk of Magnesia (Magnesia Magna).
11. Manufacture of Nickel Sulphate from Nickel Catalyst Waste of Hydrogenation Factories.
12. Putting up Combind Chrome & Vegetable Tannery. (Revised).
13. Manufacture of Soil Pipes. (Revised).
14. Setting up a Pilot Project for Re-tanning and Finishing Village Tanned Sheep Skins. (Revised).
15. Refining Saltpetre.
16. Setting up a Chrome Tannery for Cow and Calf Upper Leather. (Revised).
17. Manufacture of Industrial Hand-Gloves.
18. Electroplating Unit (Small and Medium).
19. Manufacture of Common Crockery Wares and L. T. Insulators (Revised).
20. A Small Scale Unit for Manufacture of Roofing Tiles. (Revised).
21. Manufacture of Storage Batteries.
22. Manufacture of Electrical Accessories.
23. A Small Unit for manufacture of Glass Beads. (Revised).
24. Manufacture of Radio Components.
25. Manufacture of Sole Leather.
26. Manufacture of Electric Cables. (Revised).
27. Manufacture of Plastic Toys and Plastic articles. (Revised).
28. Manufacture of Holdalls. (Revised).
29. Leather Goods Manufacturing Unit. (Revised).
30. Cast Iron Foundry (Revised).
31. Ferrous and Non-Ferrous Indnstry (Revised).
32. Malleable Cast Iron (Revised).
33. The setting up of a Model Carpentary Workshop.
34. Barbed Wires.

35. Hexagonal & Square Head Machine Screws.
36. A Pattern Shop. (Revised)
37. Manufacture of Brass Utensils. (Revised)
38. Manufacture of Liquor Ammonia. (Revised)
39. Puri Glass Bangle Industry. (Revised)
40. Vaccum Flask Industry. (Revised)
41. Glass Ampules (Revised)
42. Glass Phials. (Revised).
43. Neon and Glow Sign Industry. (Revised)
44. Scientific Glass Apparatus. (Revised)
45. Paints and Varnishes. (Revised)
46. Manufacture of Footwear.
47. A Small 'Leather Goods' Factory for Production of Hand-bags, Purses, Folio bags etc.
48. Specialised Chappal Production Unit.
49. Specialised Gents Shoe Production Unit.
50. Specialised Lady Shoe Production Unit.
51. Production of Electric Motor Stamping, Fractional & Electric Motors from 1/16 to 10 H.P. and Electric Motor Component by Pressure Die, Casting.
52. For Training-Cum-Production Centre for Electrical Appliance Transformers and Fractional H. P. Motors.
53. Manufacture of Chalk Crayons.
54. Manufacture of Cycle Leather Saddle Tops.

APPENDIX J

Model Schemes for Industrial Co-operatives.

Particulars are given below of certain model schemes for the organisation of industrial co-operatives, which have been drawn up to indicate the type of institutions which may be set up in the light of the recommendations made in the body of the Report at various places. The schemes were furnished to the Working Group by Shri Vadi, one of the members of the Group, with the aid of the Small Industries Service Institutes. These schemes are intended to be only illustrative, and, before implementation in any particular case, the advice of appropriate technical authorities, with reference to local conditions, might be taken.

(i) *A Model Scheme for Organising an Industrial Co-operative for Cast Iron Foundry.*

I. *Introduction.*

Castings are needed in every sphere of industry and as such the scope of work for a good cast iron foundry is wide and its prospects of success should ordinarily be bright. The foundry can supply brake blocks and cast iron sleeper plates to the railways, whose requirements of such castings are estimated at 1,50,000 tons per annum. The foundry can also supply various machine component castings to the machine tool industry, which has been given an important place in the Second Five Year Plan. Castings are stated to form 65% of the weight of machine tools on an average.

II. *Financial particulars*

1. *Capital required*

	Rs.
(a) Block capital	40.300
(b) Working capital	34.710

(2) *Membership.*

(a) Ordinary members	(1) Supervisory	5
	(2) Labour	20
(b) Sympathisers		

3. *Owned & borrowed fun*

(a) Share capital to be paid by ordinary members at 3 times the salary or wages per month (75% of this amount can be obtained as a 2-year Loan from Government at 2½ % interest)	6,270
(b) Share capital to be paid by Sympathiser Members @ Rs. 1,000 each	2,000
(c) Total borrowing power at six times the paid-up share capital—6 (a+b)	49,620
(d) Total volume of funds available (a+b+c) (apart from what can be raised on the pledge of stocks and raw materials)	57,890

4. *Net Profits & their disposal.*

Expenditure per year	Rs.	1,38,840
Receipts per year	Rs.	1,50,000

	Rs.
(a) *Gross Profit*	11,160
Less : 1. Instalment on Block capital	4,030
2. Interest on Block capital	1,008
3. Interest on working capital	867
TOTAL	5,905
(b) *Net Profit* :	5,255
Less : 1. Contribution to Reserve Fune at 25% of (b)	1,314
2. Dividend on share capital @ 6¼ %	517
3. Bonus (Wages and salaries for 1½ months)	3,135
TOTAL	4,966
Balance of Net profit (To be added on to the Reserve Fund)	289

III. *Working Details of the Scheme*

A. *Block Capital*

(Building, Area of Space 80′ × 70′ Shed to be rented.)

Machinery & Equipment

		Rs.
a. Coupola with blower air lines etc., complete Cap. 25 tons good castings	1 No.	10,000
b. Hydraulically operated Moulding m/c	1 ,,	3,500
c. Core oven	1 ,,	3,000
d. Equipment for CO2 process	1 Set	2,000
e. Electrically operated Chisel	1 No.	500
f. Power Hacksaw	1 ,,	1,000
g. Bandsaw 12″	1 ,,	2,500
h. Bandsaw Brazing Unit	1 ,,	400
i. Wadkins Moulding Machine	1 ,,	4,500
j. Pit Furnace with Hand Blower	1 ,,	700
k. Sand Mixing Unit	1 ,	1,500
l. Sand Sieving Uint	1 ,,	500
m. Bench Drill 5/8 Cap.	1 ,,	1,500
n. Wood Turning Lathe	1 ,,	1,050
o. Moulding Boxes	50 sets	1,500
p. Snap Flask	6 prs.	500
q. Slip Jackets	4 Nos.	150
r. Sand Bed for Moulding floor etc.	..	1,500
s. Erection charges	..	4,000
Total		40,300

B. *Working Capital*

(1) *Per Month*

(*i*) *Raw Materials.*

	Rs.
a. Pig Iron & Scrap 30 tons @ Rs. 240/- ton	7,200
b. Coke 6 tons	360
c. Flux 3/4 ton limestone	30
d. Refractories 1 set	150
e. Graphite	100
f. Moulding Sand	100
g. Fuel	40
h. Kerosene Oil etc.	100
i. Wood etc., for Patterns	500
(*ii*) Electrical charges	150
(*iii*) Staff Pay (direct)	1,310
(*iv*) Staff Pay (indirect)	780
(*v*) Depreciation on machines @ 15%	500
(*vi*) Rent on building	150
(*vii*) Other charges	100
TOTAL	11,570
Working capital for 3 months Rs.	34,710

C. *Labour*

1. *Mechanical* (per month)

a. Melting	2 Nos.	@ Rs. 80
b. Moulders	9 ,,	@ Rs. 80
c. Helpers	4 ,,	@ Rs. 30
d. Coremakers	2 ,,	@ Rs. 80
e. Unskilled workers	3 ,,	@ Rs. 50
Total	20 ,,	1,310

2. *Supervisory* (per month)

a. Supervisor for Pattern	Rs. 120	
b. Supervisor for Moulding	Rs. 130	
c. Manager	Rs. 350	
d. Storekeeper	Rs. 100	
e. Clerk	Rs. 80	780
Total Rs.		2,090

D. Receipts per month . . . . . 25 tons @ Rs. 500 ton Rs. 12,500

Expenses per month . . . . . Rs. 11,570

Rs. 930 P.M.

∴ Profit per month . . . . . Rs. 930 × 12

∴ Profit per year . . . . . Rs. 11,160

NOTE : 1. 2 Sympathisers @ Rs. 1,000 each have been allowed.

2. Foundation money of Rs. 3,000 may be provided as a grant towards Reserve Fund so as to increase the borrowing power of the society adequately to borrow Rs. 75,000 required by it for Block Capital and Working Capital together.

3. In view of the limited profit, bonus payment may be allowed @ only 1½ months' pay.

4. Castings are sold @ Rs. 600 per ton approximately. To allow for fluctuations, a rate of Rs. 500 per ton has been assumed.

(ii) *A Model Scheme for Organising an Industrial Co-operative for the Manufacture of 3/4" Diameter Rivets.*

I. *Introduction*

An increasing demand for rivets may be expected with the general industrial development in the country, especially in the context of the steel plants coming up at Bhilai, Rourkela and Durgapur and development of heavy industries. Among others, the Railways and the Highways Departments are likely to be important consumers of these rivets and, in locating these units, therefore, attempts may be made to build them up initially as suppliers to Railway Workshops etc., at centres such as Perambur, Chittaranjan, Jamshedpur and to River Valley projects.

The unit given in this scheme will have a minimum productive capacity of 5 tons of rivets a month. It can provide employment to 16 persons per shift. It is expected that the suggested unit will be in a position to earn a net profit of a sufficient magnitude to enable a contribution to the Reserve Fund at 25% of net profits, a dividend of 6¼% on share capital and a bonus equivalent to the salaries and wages for two months.

II. *Financial particulars*

1. *Capital required*

	Rs.
a. Block Capital	18,000
b. Working Capital	17,280

2. *Membership*

a. Ordinary Members :	Supervisory	3
	Labour	11
b. Sympathisers		2

3. *Owned and Borrowed Funds*

a. Share capital to be paid by ordinary members @ 3 times the salary or wages per month: (75% of this amount can be obtained as a 2-year loan from Government at 2½ % interest)	3,780
b. Share capital to be paid by sympathiser members	2,000
c. Total borrowing power at six times the paid-up share capital 6 (a+b)	34,680
d. Total volume of funds available (a+b+c) (apart from what can be raised on the pledge of stocks and raw materials)	40,460

4. *Net Profits and their disposal*

Expenditure per year : 5,760 × 12=		69,120
Receipts per year : 6,500 × 12=		78,000
(a) *Gross Profit*		8,880
Less 1. Instalment on Block capital of Rs. 18,000		1,800
2. Interest on Block capital		450
3. Interest on working capital of Rs. 17,280/-		432
	TOTAL	2,682
b. *Net Profits.*		6,198
Less 1. Contribution to Reserve Fund at 25% of (b)		1,549
2. Dividend on share capital @ 6¼%		361
3. Bonus (Wages and salaries for 2 months)		2,520
	TOTAL	4,430
Balance of net profit		1,768

III. *Working Details of the Scheme*

1. *Block Capital*

(Covered area 600 sq. ft. to be rented)

Machinery & Equipment	Rs.
a. Rivet Heating Unit 1 Set	8,000
b. Heading Machine 2 Nos.	3,000
c. Cropping machine 3/4" Cap. 1 No.	1,500
d. Swaging machine 1 No.	3.500
e. Erection charges L/S	2,000
TOTAL	18,000

2. *Staff (per month)*

a. Foreman	1 No. @ Rs. 200 P.M.	
b. Storekeeper	1 No. @ Rs. 100	
c. Clerk-*cum*-Acct.	1 No. @ Rs. 80	
d. Direct labour	11 Nos. @ Rs. 80	1,260

3. *Working capital*

(i) Per Month

	Rs.
a. Raw materials at 4 Cwts/day	4,000
b. Electricity and Water charges	100
c. Staff Pay	1,260
d. Depreciation on Machinery at 10%	150
e. Rental on buildings	100
f. Miscellaneous	150
TOTAL	5,760

(*ii*) Working capital for 3 months . . . . Rs. 17,280

4. *Monthly Receipts.*

By sale of 100 Cwts. of Rivets @ Rs. 65	Rs.	6,500
Expenses per month as per 3(*i*) above	Rs.	5,760
Profit per month :	Rs.	740
Profit per year:	Rs.	8,880

N.B.—A full-time manager may be appointed to run the factory on a salary of Rs. 250/- per month in which case the net monthly profit will be reduced.

(*iii*) *A Model scheme for organising an Industrial Co-operative for the manufacture of doors, windows etc. required for house building.*

I. *Introduction*

There is considerable building activity in the country in almost all areas. Apart from building dwelling houses in towns and villages, there is considerable activity in putting up office-buildings, factories, godowns, industrial estates etc. All these construction activities require large quantities of timber products, such as, doors, windows, ventilators, etc. In addition, large quantitites of work benches, racks, etc., are required by factories, and , with the expansion of educational facilities, desks, benches, etc. would also be in considerable demand. There would, therefore, be a large scope for setting up industrial co-operatives for supplying all these articles if Government Departments and private establishments could be persuaded to purchase their requirements of these articles from such societies. A unit which is set up for the manufacture of the items of the type indicated above, could, in addition, take up the manufacture of office and household furniture etc. during the periods when orders for articles required for house building are not large.

II. *Capacity.*

(*a*) Doors, Windows, Ventilators etc.;

(*b*) Work benches, Storage racks required by industries and othe industrial equipment ;

(*c*) Desks and benches required by schools, colleges and laboratories;

(*d*) Office and household furniture.

	Rs.
Approximate value of the estimated monthly output of the above articles	20,000

III. *Financial Particular*

1. *Capital Required*:

(a) Block capital	30,000
(*b*) Working Capital	50,550
Total initial investment	80,550

2. *Membership* :

(*a*) Ordinary members (Supervisory & labour)	33
(*b*) Sympathisers	2

3. *Owned and borrowed funds*

(*a*) Share capital to be raised by ordinary members at 3 times the salary or wages per month (75% of this amount can be obtained as a 2-year loan from Government at 2½% interest)	15,450
(*b*) Share capital to be paid by the two sympathisers @ Rs.800	1,600
(*c*) Total borrowing power at 6 times the paid up share capital—6×(a+b)	1,02,300
(*d*) Total volume of funds available (a+b+c) (apart from what can be raised on the pledge of stocks and raw materials)	1,19,350

IV *Net profits & their disposal.*

Expenditure per year	2,02,200
Receipts per year	2,40,000
Gross profit	37,800
Less	
(1) Instalment on block capital of Rs. 30,000	3,000
(2) Interest on block capital	750
(3) Interest on Working Capital of Rs. 50,500	1,264
	5,014
Net profit per year	37,800
	5,014
	32,786
Less	
(1) Contribution to the Reserve Fund at 25% of net profit	8,196
(2) Dividend on share Capital at 6-1/4%	1,066
(3) Bonus (wages and salaries for 2 months)	10,300
	19,562
Balance of net profit	32,786
Balance of net profit for common purposes etc. or to be added to the Reserve Fund	32,786
	19,562
	13,224

V. *Working Details*

(a) *Machinery & Equipment*

The following plant and machinery are suggested. Provision has been made on a somewhat liberal basis and, if there is adequate work, the co-operative society may increase the output of its equipment by 25 to 50% above that indicated.

	Nos. required	Value Rs.
1. Bandsawing Machine 36"	2	6,000
2. Circular Saw Bench with Canting Spindle 20"	1	4,000
3. Surface Planner 16"	1	3,000
4. Mortising Machine : hollow, chisel and chain	1	3,000
5. Portable Sanders	6	1,200
6. Portable Saw	1	200
7. Portable Electric Drill	1	200
8. Sensitive Drill 1/2" capacity	1	800
9. Saw doctoring equipment :		
(*a*) Straight knife grinding	1	1,500
(*b*) Bandsaw brazing machine	1	300
(*c*) Filing and setting equipment	1	1,800
(*d*) Automatic Bandsaw Grinder with circular and frame saw attachment-capacity upto 4" wide	1	3,000
10. Hand tools	L.S.	3,000
11. Work Benches	L.S.	1,000
12. Vices	10	1,000
TOTAL		30,000

(b) Raw Material

The main raw material required is timber. It will be possible for the co-operatives to obtain timber at reasonable prices from other co-operatives, who might have felling rights from the Forest Departments. Even if they purchase timber from the open market, the estimated requirements of timber for the production indicated at II above would be of the order of about Rs. 10,000/-.

Raw materials for production indicated at II above per month

1. Wood	Rs.	10,000
2. Other materials such as : Screws, hinges and consummable stores etc.	,,	1,000
TOTAL	,,	11,000

(c) Staff and Labour

	Number required	Total monthly emoluments
		Rs.
1. Manager at Rs. 250 per month	1	250
2. Skilled Carpenters at Rs. 200 per month	12	2,400
3. Semi-skilled workers at Rs. 150 per month	4	600
4. Machine operators at Rs. 200 per month	5	1,000
5. Unskilled workers at Rs. 75 per month	10	750
6. Store-keeper-*cum*-clerk at Rs. 150 per month	1	150
TOTAL		5,150

(d) Working Capital (Per month)

	Rs.
1. Raw material	11,000
2. Staff & labour-wages	5,150
3. Depreciation on plant at 10%	300
4. Rent on building	200
5. Other charges such as electricity, water, etc.	200
TOTAL	16,850
1. Working capital for 3 months	50,550

(e) Receipts and Expenditure

	Rs.
Estimated monthly sale-proceeds	20,000
Estimated monthly expenditure	16,850
Profit	3,150
Estimated margin of profit per year	37,800

N.B..—(*i*) The interest rate charged by Co-operative financing banks to industrial co-operatives have been calculated at 2½ per cent only per annum *viz.* the rate at which funds are now available from the Government of India as per Commerce and Industry Memo. No. 52-SSI(66)/55, dated 4th June 1955 which is in force. It is presumed that the difference between the bank's lending rate and the Government's lending rate will be reimbursed to the banks by Government.

(*ii*) In all the 3 schemes above a paid-manager is provided for. According to 4th June Memo cited above, the Government of India will be willing to bear 50 per cent of the cost of such a manager for a period of 3 years.

(iv) A model scheme for organising a structural shop on a co-operative basis

I. *Introduction*

It is considered that there should be considerable scope for setting up Light Structural Shops as industrial co-operatives. These factories could produce, among other things, a considerable amount of structural items required by electricity undertakings in the country for use as line material in their transmission and distribution systems. They could also manufacture light structural items required for buildings, gates for factory buildings, and also steel storage racks required for factories, both in the public and private sector. Besides these, they could also manufacture items required by municipal undertakings, such as wheel barrows, dust bins, etc.

Not much skill is required in the fabrication of the various structural items. However, the investment involved in the machinery is quite considerable and some of the machines, though they may be costly and may not be utilised fully, are essential for a structural shop. Unlike other units, which are planned to manufacture a specific list of items, the facilities available in the structural shop will have to be of a flexible nature so that it could undertake different types of jobs for which there may be demand.

II. *Capacity*

The capacity suggested is about 500 tons per annum. On account of the variety of structural products and also as the factory may not be working to capacity in all departments, the scheme is worked out on the basis of only 30 tons per month, valued at approximately Rs. 30,000/- of saleable output per month.

III. *Financial particulars*

1. *Capital required*

	Rs.
(a) Block capital	47,400
(b) Working capital	92,250
Total initial investment	1,39,650

2. *Membership*

(a) Ordinary members	44
(b) Sympathisers	4

3. *Owned and borrowed funds*:

(a) Share capital to be raised by ordinary members at 3 times the salary or wages per month (75% of this amount can be obtained as a two-year loan from Government at 2½% interest)	20,700
(b) Share capital to be paid by the four sympathisers at Rs. 1,000 each	4,000
(c) Total borrowing power at six times the paid-up share capital: 6(a+b)	1,48,200
(d) Total volume of funds available (a+b+c) (apart from what can be raised on the pledge of stocks and raw material) .	1,72,900

4. *Net profits and their disposal* :

	Rs.
(a) Expenditure per year	3,69,000
(b) Receipts per year (30 tons @ Rs. 1150 per ton)	4,14,000
(c) Gross profit per year	45,000

Less

(1) Instalment on block capital of Rs. 47,400	4,740
(2) Interest on block capital @ $2\frac{1}{2}$ % per annum	1,185
(3) Interest on working capital of Rs. 92,250 @ $2\frac{1}{2}$% per annum	2,306
Total	8,231
(d) Net profit per year	36,769

Less

(1) Contribution to the Reserve Fund at 25% of the net profit	9,192
(2) Dividend on share capital @ $6\frac{1}{4}$ %	1,544
(3) Bonus (wages and salaries for 2 months)	13,800
Total	24,536

∴ Balance of net profit for common purposes etc. to be added to the Reserve Fund 12,233

IV. *Working Details of the Scheme*

(i) *Machinery and Equipment*

The list of plant and equipment suggested is given below:

(a) Punching, cropping and shearing machine	15,000
(b) Pillar Drill $1\frac{1}{2}''$	2,500
(c) Cone Puller Lathe 8″	5,000
(d) Bench Drill 5/8″ capacity	1,000
(e) Electric Welding equipment	5,000
(f) Oxy-Acetylene equipment	2,000
(g) Blacksmith Forges. 6 Nos.	4,200
(h) Roll Bending Machine	2,500
(i) Treadle Shears 48″	2,200
(j) Hand Shears 2 Nos.	2,000
(k) Pedestal Grinder 1 No.	500
(l) Hacksawing machine	2,500
(m) Miscellaneous tools	3,000
	47,400

Note:—At a later date, depending on the type of orders received, it may be of advantage to add a radial drilling machine, which costs approximately at Rs. 20,000/-. The installation of this machine can be justified only if orders are received for heavy work.

(ii) *Raw materials* (on monthly basis)	Rs.
Steel	20,000
Consumable tools and other materials such as welding rods, etc.	2,000
	22,000

(iii) *Staff and labour*	No. required	Monthly emoluments
		Rs.
1. Charge hand @ Rs. 300 p.m.	1	300
2. Machine operators @ Rs. 200 p.m. . .	10	2,000
3. Assembly men @ Rs. 200 p.m. . . .	12	2,400
4. Semi-skilled @ Rs. 100 p.m.	20	2,000
5. Store-keeper-cum-clerk @ Rs. 150 p.m. .	1	150
	Total	6,850
	or, say	6,900

(iv) *Working capital* (Approximately on 1½ months' basis)		
Steel		30,000
Wages for labour and staff		10,400
	Total .	40,400

(v) *Cost analysis* (on monthly basis)		
Raw material		22,000
Wage bill		6,900
Depreciation on plant and machinery		500
Power consumption charges etc.		400
Miscellaneous		400
Factory rent		550
	Total	30,750
Estimated sale proceeds of 30 tons @ Rs. 1,150 p		34,500
Working capital for 3 months		92,250
Margin of profit		3,750

(v) A model scheme for organising an industrial co-operative for the manufacture of iron-clad switch fuses and cut-outs

I. *Introduction*

Iron Clad Switch Fuses and Cut-outs are essential requirements in Electricity Distribution Systems. Every house and every industrial installation should have an Iron Clad Switch Fuse and a Cut-out for controlling power supply. With the extensive electrification schemes that are being planned for execution, demand for these items is bound to increase substantially in future and it has been estimated by the Development Council for Heavy Electrical Industries that the demand for these by 1960-61 would be of the order of 1,20,000 per annum. At present, the bulk of the requirement is being imported as the production in the country is hardly sufficient to meet even the present demand. Hence, there is ample scope for establishing the manufacture of these items

II. *Capacity*

Iron Clad Switch Fuses	30,000 Nos. per annum
Iron-clad Cut-outs	60,000 do.

III. *Financial particulars*

1. *Capital required*

(a) Block capital	32,500
(b) Working capital (for 3 months)	1,03,950
Total initial investment .	1,36,450

2. *Membership*

(a) Ordinary members (supervisory and labour)	37
(b) Sympathisers	3

3. *Owned and borrowed funds*

(a) Share capital to be raised by ordinary members at 3 times the salary or wages per month (75% of this amount can be obtained as a two-year loan from Government at 2½% interest)	14,550
(b) Share capital to be paid by the three sympathisers . .	3,000
(c) Total borrowing power at 6 times the paid-up share capital : 6 (a+b)	1,05,300
(d) Total volume of funds available (a+b+c) ("apart" from what can be raised on the pledge of stocks and raw materials) .	1,12,850

4. ***Net profits and their disposal***

		Rs.
Expenditure per year		4,15,800
Receipts per year		4,80,000
Gross profit		64,200
Less		
(1) Instalment on block capital of Rs. 32,500	3,250	
(2) Interest on block capital	815	
(3) Interest on Working capital of Rs. 1,03,950	2,599	6,664
Net profit per year .		57,536
Less		
(1) Contribution to the Reserve Fund at 25% of the net profit . . .	14,384	
(2) Dividend on share capital @ 6¼% .	1,097	
(3) Bonus (Wages and salaries for two months)	9,700	
	25,181	
∴ Balance of net profit for common purposes etc. or to be added to the Reserve Fund		32,355

IV. *Working Details of the Scheme*

(a) *Machine shop* (Area : 1,000 sq. ft.)

	Qty in No.	Value
		Rs.
(i) Milling machine (hand lever)	1	7,000
(ii) Centre Lathe (3′ bend 4½″ centre)	1	2,500
(iii) Bench Drilling machine (1 of 5/8″, 2 of ¼″ and 1 of 1/8″)	4	2,000
(iv) Cutting off machine	1	2,500
(v) Power Press (20 ton-capacity)	1	5,000
(vi) Bench Grinder	2	500
(vii) Other miscellaneous tools, gauges, etc., including assembly tools	LS.	5,000
		24,500
(b) *Assembly shop* (Area : 1,000 sq. ft.)		
Assembly benches, stores racks, trays, furniture etc. etc.	LS.	1,000
(c) *Testing Department* (Area : 1,000 sq. ft.)		
Testing Equipment	LS	3,000
(d) *Finishing and Packing Department* (Area : 1,000 sq. ft.)		
(i) Spray painting equipment, spraying chamber, etc. etc.	LS.	3,000
(ii) Packing tools etc.	LS.	1,000
Grand Total		32,500

NOTE.—No equipment for the manufacture of dies is included in the above estimates, and it is presumed that the dies required for manufacturing pressed parts will be obtained from other factories which have suitable tool-making equipment.

(ii) *Raw Materials*

	Annual requirement	Approx. value
		Rs.
(a) Iron Castings	60 tons.	60,000
(b) Porcelain parts	1,00,000 nos.	2,00,000
(c) Copper Strips	2 tons	10,000
(d) Brass sections	LS.	10,000
(e) Square Steel Rods	LS.	10,000
(f) Square Bakelite tubes	LS.	5,000
(g) Coil springs and other types of springs	LS.	5,000
(h) Screws, bolts, nuts, etc.	LS.	5,000
(i) Paints and other sundries	LS.	5,000
		3,10,000

(iii) *Staff and Labour*

	No. required	Monthly Emoluments
(a) Charge hand at Rs. 250 p.m.	1	250
(b) Skilled workers at Rs. 150 p.m.	22	3,300
(c) Semi-skilled workers at Rs. 100 p.m.	7	700
(d) Helpers, cooly, chowkidar etc. a Rs. 75 p.m.	6	450
(e) Store-keeper-cum-clerk at Rs. 150 p.m.	1	150
		4,850

(iv) *Working capital*

(a) *Non-recurring expenditure*

1. Land and building	25,500
2. Machinery and equipment	32,500
add Installation charges, electricity connection etc. @ 10 % of the total of 1 and 2	5,800
	63,800

(b) *Recurring expenditure* (on approximately two months' basis)

1. Raw materials	54,800
2. Salary for staff and labour	9,700
	64,500
Total Capital investment	1,28,300

(v) *Cost analysis* (per month)

1. Raw materials	27,400
2. Salary for staff and labour	4,850
3. Interests on capital @ 6¼%	600
4. Depreciation on machinery and equipment at 10%	500
5. Factory overheads (Electricity charges, etc.)	800
6. Factory rent	500
	34,650

Working capital for 3 months Rs. 1,03,950

(vi) Estimated sale proceeds (monthly)

2,500 Switch Fuse units at Rs. 10 per switch	25,000
5,000 Iron-clad cut-outs at Rs. 3/- per cut-out	15,000
Total	40,000
Estimated profit per month	5,500

V. *Conclusion*

The margin of profit indicated is on the basis of the factory producting to the full capacity. Even if production is of the order of 75%, profit margin will be of the order of 25% to 30%.

The above scheme is worked out on the basis that castings and the porcelain parts are available from other sources, as the manufacture of these has been included in this scheme. The castings may be obtained from the nearby foundries. The main bottleneck is in regard to the porcelain units and in order to see that uninterrupted supply is maintained, it is necessary to interest some of the existing porcelain factories near the place, where the factory for the manufacture of iron Clad Switch is to be located, in undertaking the manufacture of these. In this connection, it is stated that in the southern region, already two factories are established for the manufacture of porcelain parts. These are: (1) The Government Porcelain Factory, Bangalore, and (2) the porcelain factory belonging to the Government of Kerala. These factories have got the necessary equipment, and it should be possible for them to undertake the manufacture of procelain parts and supply at reasonable prices. The other hardware items, such as screws, bolts, nuts, etc. are also to be obtained from other sources.

APPENDIX K

Model Byelaws for an Industrial Co-operative Production Society

I. As appended to the Report of the Committee on Co-operative Law

1. Name, address and area of operations.

(1) The .... Industrial Co-operative Production Society Ltd., No. .... is registered as a co-operative society under the Co-operatives Societies Act, ... Its address shall be .... post office .... in the tehsil of .... in the .... district.

(2) Its area of operations shall be confined to the following villages namely :—

(i) .... (ii).............. (iii) ....

2. Objects.

(1) Objects of the society shall be :—

(*i*) to produce on its own account (enter variety of product) in a common workshop or in the homes of the members;

(*ii*) to acquire or take on lease lands for constructing the workshop of the society and to purchase or build the workshop;

(*iii*) to purchase raw materials, tools, equipment and machinery for the workshop;

(*iv*) to market the finished products of the society;

(*v*) to obtain contracts from Government, public bodies or others and get them executed with the help of members;

(*vi*) to borrow funds from members and non-members;

(*vii*) to impart or arrange to impart business and technical training to members; and

(*viii*) to do all such things as are conducive or incidental to the attainment of the said objects and the social and material progress of the members.

3. Capital.

(1) The Capital of the society shall be made up of................ 'A' class shares of Rs. .... each which shall be available only to individual artisans above the age of eighteen, ... 'B' class shares of Rs. 100 each which shall be available only to the State Government, ... 'C' class shares of Rs. .... each which shall be available to non-artisans above the age of eighteeen who sympathise with the objects of the society and .... 'D' class shares of Rs. .... each to persons below the age of eighteen but not below the age of twelve years.

(2) The Society may retire the 'B' class shares held by the Government at such time and in such number as may be agreed upon between the society and the Government.

(3) The number of sympathiser members holding 'C' class shares shall at no time, exceed 5% of the total number of members of the society. It shall be competent for the society to retire the share capital held by 'sympathiser' members after a lapse of five years from the date of resigtration of the society, unless otherwise determined by the general body.

(4) Fifty per cent of the value of an 'A' class share shall be payable on allotment and the remainder in two equal half-yearly or annual instalments. Every such member will, however, have the right to pay the full value of a share on allotment.

(5) 'B', 'C' and 'D' class shares shall be payable in full on allotment.

(6) A share certificate bearing a distinctive number shall be issued for every share or shares allotted and fully paid-up.

4. Liability.

(1) The liability of members holding 'A' class and 'C' class shares for meeting the deficit in the assets of the society in the event of its being wound up, shall be limited to .... times the subscribed capital.

(2) The liability of Government holding 'B' class shares shall be limited to the share capital paid up by it.

(3) Holders of 'D' class shares shall not be liable for the debts of the society.

5. Application for admission.

(1) Applications for admission as members and for allotment of shares shall be made to the secretary in the form, if any, specified by the society for the purpose.

(2) Every such application shall be disposed of by the Board of Director who shall have power to grant admission or to refuse it, after recording reasons for such refusal :

Provided that any individual whose application for admission has been refused by the Board may appeal to the Registrar, and if the Registrar so directs, he shall be admitted as a member by the society on his paying the admission fee, if any, and on his purchasing at least one 'A' class share.

6. Membership.

(1) An individual above the age of eighteen years who is competent to contract, is an artisan engaged in........... industry and resides within the area of operations referred to in bye-law No. 1 shall be eligible for admission as an 'A' class member of the society.

(2) No artisan who is already a member of another Industrial Co-operative Production Society constituted for the same purpose for which the society is registered shall be admitted as a member of the society.

(3) The State Government shall also be eligible for admission as a 'B' class member.

(4) An individual above the age of eighteen, residing in the area of operations of the society and sympathising with the objects of the society may be admitted as a 'sympathiser' or 'C' class member.

(5) A person below the age of eighteen years but not below the age of twelve years and fulfilling all the other conditions mentioned in clause (1) above, may be admitted as an 'associate' or 'D' class member. Such 'associate' member shall be admitted for the purposes of undergoing training but will have no right to vote in the affairs of the society.

(6) No person shall be eligible for admission as a member of the society if he has applied to be adjudicated an insolvent, or is an undischarged insolvent, or has been sentenced for any offence other than an offence not involving moral turpitude, such sentence not having been reversed or the offence pardoned :

Provided that this disqualification shall not apply where more than five years have elapsed from the date of the expiration of such sentence.

(7) Any member of the society shall cease to be a member if he incurs any of the disqualifications mentioned in clause (2) and clause (6), or changes his residence permanently from the area of operations of the society.

7. Restrictions on holding of shares.

(1) Every member shall purchase at least one share and no member other than the State Government, shall hold more than such portion of the share capital as may exceed one-fifth of the issued share capital or Rs............... whichever is less.

(2) With the sanction of the Board of Directors, a member may at any time , increase the number of shares held by him so as not to exceed the limit laid down in clause (1).

8. Withdrawal or resignation from membership.

(1) No member shall be permitted to withdraw any of the shares held by him in the society, or to resign his membership of the society, within two years from the date on which he was admitted as a member :

Provided, however, that a member may be permitted to withdraw, or resign his membership, in exceptional circumstances and with the approval of the Registrar earlier than two years, but not earlier than one year from the date of his admission to memberhship.

(2) After the period specified in clause (1), a member may withdraw any of his shares with the consent of the Board of Directors, or resign his membership:

Provided, firstly, that there are no debts due from him to the society and, secondly, that there are no debts due to the society in regard to which he has stood surety.

(3) When a member resigns his membership he shall send a letter of resignation to the secretary of the society and such resignation shall take effect from the date on which the resignation is accepted by the Board. The value of the shares allowed to be withdrawn, or the share capital of a member who has resigned his membership, shall be paid back to him with the dividend declared, if any. The total share capital withdrawn or returned in any one year shall not, however, exceed ten per cent of the aggregate paid-up share capital of the society as it was on the 30th June preceding. This limit shall cover all refunds of share capital except those made under bye-laws 9, 10 and 11.

9. Repayment of shares on withdrawal.

Should a member cease to be eligible for membership either on account of his changing his residence permanently from the area of operations laid down in bye-law 1, or for any other reason mentioned in sub-clause (7) of bye-law 6, the Board of Directors shall remove his name from the list of members and shall pay back, within a reasonable period, to such member the share capital actually paid by him with the dividend declared, if any, after deducting therefrom the money, if any, due from him to the society either as principal debtor or as surety.

10. Nomination of heir.

(1) If a member dies, his membership shall *ipso facto* cease.

(2) (a) Every member of the society may nominate a person or persons to whom in the event of his death, his shares or interest in the capital of the society shall be transferred or the value thereof and any other money due to him from the society shall be paid. The number of persons so nominated, however, shall not exceed the number of shares held by the member. The member may from time to time revoke or vary such nomination. The nomination shall, in the event of his death, be given effect to by the Board of Directors provided that—

(*i*) the nomination was signed by the deceased in the presence of at least two witnesses attesting the same; and

(*ii*) the nomination has been registered in the books of the society kept for the purpose.

(*b*) In the event of there being no person nominated by the deceased member qualified in accordance with the bye-laws for membership of the society, the society shall transfer the share or interest of the deceased member to such person as may appear to the Board of Directors to be the heir or legal representative of the deceased within one month of the death of the deceased member :

Provided such heir or legal representative or nominee shall have been admitted by the Board of Directors as a member of the society.

(*c*) In the event of there being no person qualified to succeed under sub-clause (a) or (b) of this clause, or on the application of the nominee, heir or legal representative of the deceased member, the society shall pay to such nominee, heir, or legal representative, as the case mey be, a sum representing the deceased member's share or interest at the time of his death ascertained in the manner prescribed in the rules :

Provided that nothing in this sub-clause shall prevent a minor or a person of unsound mind from acquiring by inheritence or otherwise, the share or interest of a deceased member in the society.

(*d*) Subject as aforesaid, the society may pay all other moneys due to the deceased member from the society to the person nominated by him in accordance with clause (2) (a) of this bye-law, or to such person as may appear to the Board of Directors to be the heir or legal representative of the deceased member, as the case may be.

11. Expulsion of a Member.

(1) If a member deceives the society in any way or if his general conduct is such as to render his removal necessary in the interests of the society, it shall be open to the general body to expel such member, provided he has been given a reasonable opportunity of being heard.

(2) The member so expelled will have a right of appeal to the Registrar against the decision of the general body within two months from the date of such decision. The order of the Registrar on the appeal shall be binding on both the society as well as the person aggrieved by the decision of the society.

(3) A person who has ceased to be a member, shall be paid all moneys due to him from the society, after deducting therefrom any money due from him to the society and he shall be liable as provided in bye-law 4 for the debts due by the society as they stood on the date of cessation of membership for a period of two years from such date.

12. Deposits.

(1) Fixed deposits may, at the descretion of the Board of Directors, be received from member or non-members on such terms and conditions as may be decided from time to time by the Board:

Provided that deposits from members shall be given preference to deposits from non-members.

13. Compulsory Subscriptions.

(1) It shall be competent for the society to collect subscriptions from members in any one of the following ways, as may be decided by the general meeting by making a deduction at,..........

(i) .... naye paise per rupee of remuneration payable to the members ;

(ii) ....% of the bonus payable to the members ;

(2) the amount of subscription collected from a member when equal to the value of an 'A' class share will be converted into such share until the total number of shares held by a member amounts to..........shares.

14. Other borrowings.

It shall be competent for the Board of Directors to borrow funds, otherwise than by way of deposits, either from members or from persons other than members or from co-operative financing banks :

Provided that the rate of finterest shall not, in any case, exceed.......% per annum.

15. Maximum borrowing limit.

The society shall not receive deposits and loans from members and non-members together in excess of eight times the paid-up share capital and the reserve fund or of any lower limit fixed by the Registrar.

16. List of Members for general body meetings.

(1) The Board of Directors shall maintain a list of members on the rolls of the Society who are qualified to vote at general body meeting of the society and shall bring such list up-to-date within a fortnight before each meeting of the general body.

(2) It shall be the duty of the secretary to supply copies of the list to such of the members as desire to have them, on payment of such fees as may be specified by the Board of Directors in this behalf.

(3) No member shall be admitted during the fifteen days preceding the date fixed for any general body meeting of the society at which office bearers are to be elected.

17. Meetings of the general body.

(1) The Board of Directors shall call at least once a year an annual general meeting of the general body of the society, consisting of 'A' class members and such representative of 'B' class members who may be serving on the Board of Directors.

(2) The Board of Directors may also, at any time, call a special general meeting of the society for the conduct of its business and shall call such a meeting within one month of the receipt of a requisition in writing from one-fifth or more members, or from the Registrar.

(3) The quorum for a general body meeting shall be.........or one-fourth of the total number of 'A' class members on the list at the time, whichever is less.

18. Notice of meetings of general body.

(1) ....day's notice shall ordinarily be given to members before a meeting of the general boby is convened.

(2) Notice for a general meeting may be given to members in one or more of the following modes ; namely :—

(*i*) by means of beat of drum in the area of operations of the society ;

(*ii*) by affixing a copy of the notice for the meeting in some conspicuous place in the area of operations of the society and in the office of the society ;

(*iii*) by circulation of the notice book and getting signatures of members in it, or

(*iv*) by sending the notice by post under certificate of posting.

(3) In the case of amendments to bye-laws of the society, notice shall be sent to each of the members in due time, either by circulation or otherwise ; and such notice shall give the members a reasonably clear idea of the nature of the amendments proposed.

(4) If there is any irregularity in the service of notice, it shall not invalidate the proceedings.

19. Conduct of general meeting.

(1) The president, when present, shall preside at the meetings of the general body. In his absence, the general body may choose a chairman from their number to preside at the meeting. Every member present shall have one and only one vote. All questions, except those relating to amendment of bye-laws of the society shall be decided by a majority of votes of the members present and voting. When votes are equal the chairman of the meeting shall have a second or casting vote.

(2) Every amendment of the bye-laws shall be made only by resolution passed by a two-thirds majority of the members and voting, at a meeting of the general body of the society.

20. Powers of the general body.

(1) The ultimate authority in all matters relating to the administration of the society shall be the general body.

(2) The general body shall not, however, interfere with the actions of the Board of Directors, or any officer of the society, performed in the exercise of powers conferred on them by the bye-laws.

(3) The following, among other matters, shall be dealt with by the general body :—

(*i*) the programme of activities for the ensuing year ;

(*ii*) the election and removal of the elected members of the Board of Directors ;

(*iii*) the election and removal of members of the supervisory committee ;

(*iv*) the approval of the annual budget of income and expenditure ;

(*v*) the annual report due to the Registrar;

(*vi*) the Registrar's audit notes ;

(*vii*) the amendment of bye-laws ;

(*viii*) disposal of net profits ; and

(*ix*) the expulsion of a member.

21. Management : Board of Directors.

(1) Subject to such resolutions as the general body may, from time to time, pass, the executive management of the affairs of the society shall vest in the Board of Directors consisting of nine members. The State Government, or any authority specified in this behalf, by the State Government, shall nominate three directors on the Board. The other members of the Board shall be elected by the general body from amongst the members on the following basis :—

(*i*) there shall be five directors from members holding 'A' class shares, and

(*ii*) there shall be one director from members holding 'C' class shares.

(2) The services of the Board of Directors shall be gratuitous, except as provided for in bye-law No. 32.

22. Qualifications and disqualifications of membership of board.

(1) No person shall be eligible for election to the Board of Directors of the society, if he :—

(*a*) is a paid employee of the society or the financing bank to which the society is affiliated ; or

(*b*) is in default to the society, or to any other society, in respect of any loan or loans taken by him, or is a defaulter to the society or to any other society ; or

(*c*) is interested directly or indirectly in any contract made with the society or in any sale or purchase made by the society privately or in any auction, or in any contract or transaction of the society (other than investment and borrowing) involving financial interests if the contract or transaction, by subsisting, or if the contract, transaction sale or purchase, be not completed.

(2) A member of the Board of Directors of the society shall cease to hold his office as such, if he incurs any of the disqualifications mentioned in clause (1) above.

23. Term of office of the Board members.

(1) Each member of the Board shall continue in office, after the expiry of his term of office, until another member is elected in his place. A retiring member of the Borad shall be eligible for re-election. The nominated directors shall hold office during the pleasure of the authority nominating them.

(2) It shall be competent to the general body to remove, at any time, any member elected by them to the Board and elect another in his place.

(3) Any elected member of the Board of Directors may, at any time, resign from his office by sending a letter of resignation to the secretary of the society; but such resignation shall take effect only from the date on which it is accepted by the Board.

(4) Should a member of the Board of Directors absent himself from four consecutive meetings of the Board without its permission he shall cease to be a member of the Board.

(5) Interim vacancies of the elected members on the Board of Directors shall be filled by co-option by the Board. Vacancies in the case of members of the Board, nominated by the State Government, or by the authoritiy specified in this behalf by the Government, shall be filled in by nomination by the Government or by such authority.

24. Powers of the Board of Directors.

Amongst other things the powers of the Board shall be:—

(*i*) to raise funds necessary for the purpose of carrying out the functions of the society, in the form of deposits and loans, on such terms and conditions as they may determine;

(*ii*) to arrange for the purchase or hire of tools, appliances machinery etc. and supply the same on hire to members on such terms and conditions as may be decided by them;

(*iii*) to arrange for the proper stocking of raw materials and finished products;

(*iv*) to arrange for the sale of the finished products;

(*v*) to determine the scale of remuneration to be paid to members for work done by them;

(*vi*) to admit members and to approve transfer of shares;

(*vii*) to maintain such accounts and registers as are specified by Registrar from time to time;

(*viii*) to incur such expenditure as may be necessary for the management of the society with reference to the scale and within the budget allotment sanctioned by the general body for each year;

(*ix*) to arrange for the proper receipt and disbursement of all moneys, stores, stocks and property received or paid on behalf of the society;

(*x*) to institute, defend or compromise legal procedure;

(*xi*) to appoint an Executive Committee or any *ad hoc* committee or committees for carrying out any specific function relating to the business of the society;

(*xii*) to frame regulations (which shall be entered in the minute book of the society) for the conduct of the business of the society consistent with the Act, the rules and these bye-law subject to the approval of the Registrar;

(*xiii*) to recommend to the general body the rate of dividend that may be declared by it; and

(*xiv*) to do such other acts and transact such other business as is consistent with the objects of the society and as may be incidental to the administration of the society.

25. Meetings of the Board.

The Board of Directors shall meet once in three months or oftener if necessary, to conduct the affairs of the society. The quorum for a meeting of the Board shall be.......... All questions before the Board shall be decided by a majority of votes. If there is an equality of votes, the president or other presiding members shall have a second or casting vote.

No member of the Board shall be present at a meeting of the Board when any matter in which he is personally interested is being discussed. In case of an urgency, where there may not be sufficient time to convene a meeting of the Board, the secretary may obtain orders of the Board by circulation of papers among the members. The decisions arrived at by circulation shall be placed before the next meeting of the Board for their information. Should a difference of opinion arise in the course of such circulation, the matter shall not be decided by circulation, but shall be placed before the next meeting of the Board.

26. President and Treasurer.

The members of the Board of Directors nominated by the State Government, or any authority specified in this behalf by the Government, and those elected by the general body shall together elect from among themselves a president and a treasurer.

27. Duties of President, Treasure and Secretary.

(1) Subject to such resolutions as the Board of Directors may from time to time pass, the several officers of the society shall have the powers mentioned below:—

(*a*) the president shall have a general control over all the affairs of the society;

(*b*) the secretary, who shall be a paid officer appointed in the manner referred to under clause (2) of this bye-law, shall be responsible for the executive administration of the society subject to the control of the president; should the secretary require relief from work, it shall be competent for the president to grant relief, making suitable arrangements for the conduct of work by one or more of the members of the Board of Directors;

(*c*) the secretary/president shall be the officer to sue or be sued on behalf of the society and all bonds in favour of the society shall be in the name of the secretary or president.

(*d*) the treasurer shall have the custody of all the properties of the society including cash. The Board of Directors shall frame subsidiary regulations, with the approval of the Registrar, for ensuring the safety of the properties left in the custody of the treasurer.

(2) The method of recruitment, the conditions of service and the authority competent to fix, revise and regulate the scales of pay and allowances of paid officers and servants of the society and the procedure to be followed in the disposal of disciplinary cases against them shall be governed by the special bye-laws given in Appendix to the bye-laws (same as Appendix II to the bye-laws of large-sized credit societies).

28. Receipts for amounts received.

Receipts shall be issued for all moneys paid to the society. For moneys paid by members, the receipts shall be signed by the secretary, or by any member of the Office establishment whoever is selected by the Board of Directors to discharge this function. In the case of borrowings from non-members, or from other societies the receipt or bond shall be executed by the secretary and at least two members of the Board of Directors of whom the president shall be one.

29. Supervisory Committee.

(1) The general body of the society shall elect annually a Supervisory Committee consisting of three members whose duty it will be to examine all books of accounts and to verify cash and other properties belonging to the society, for which purpose the Committee will have access, at any time, to all the books of accounts, documents, papers, securities, cash and other properties belonging to or in the custody of the society.

(2) The Supervisory Committee shall meet, at least, once a month and shall submit at the end of the year a report to the general body of the society on the financial position and working of the society.

(3) It shall be competent for the Supervisory Committee to make such suggestions as they deem fit for the improvement in the working of the society.

30. Employees of the Society.

(1) The society shall not appoint any person as its paid officer or employee, in any category of service, unless he possesses the qualifications and furnishes the security as the Registrar may, from time to time, determine for such category of service in the society or for the class of society to which it belongs.

(2) The society shall not retain in service any paid officer or employee if he does not acquire the qualifications or furnish the security indiated in sub-clause (1), unless the Registrar relaxes the provision of sub-clause (1) in his case.

31. Society's charge on Member's Shares, etc.

The society shall have a charge upon the paid-up share capital, deposit and any other money to the credit of a member, or a past or deceased member, in respect of any debt due to the society from such member or past member or the estatee of such deceased member; and the society may set off any sum credited or payable to a member or past or deceased member, or the estate of a deceased member, in or towards, payment of any such debt.

32. Disposal of net profits.

(1) The society shall, out of its net profits in any years:—

(*a*) transfer an amount not being less than twenty-five per cent of the profits to the reserve fund; and

(*b*) credit such amount, as may be directed by the Registrar from time to time to the 'Cooperative Education Fund' constituted under rule 19 of the rules under the Act.

(2) The balance of the net profits may be utilised for all or any of the following purposes *viz.*:—

(*a*) payment of dividend to members on their paid-up share capital at a rate not exceeding 6%

(*b*) payment of bonus to members, subject to a maximum of thirty per cent of the profits, in proportion to the remuneration received by each member during the course of the year;

(*c*) constitution of, or contribution to, one or more of the following funds; *viz.*:—

(*i*) Depreciation Fund,

(*ii*) Price Fluctuation Fund,

(*iii*) Building Fund, and

(*iv*) Any other Fund which may be approved by the general body;

(*d*) donations of amounts not exceeding seven and half percent of the net profits to a 'Common Good Fund' to be utilised for any of the purposes mentioned in section (2) of the Charitable Endowments Act, 1890;

(*e*) payment to any member for any specific service rendered by him to the society, honorarium not exceeding......percent; and

(*f*) payment of bonus to employees of the society to the extent and in the manner determined by the general body.

(3) Any profits not appropriated in the manner aforesaid in any year, shall forthwith be added to the reserve fund.

33. Losses when written off.

If any sum belonging to the society is either stolen or otherwise lost and found irrecoverable, or if any loan due to the society is found otherwise irrecoverable either wholly or in part, it shall be open to the general body to write off such amount after obtaining the sanction of the Registrar and of the central co-operative bank to which the society is affiliated.

34. Annual statements.

(1) The society shall prepare annually in such form as may be specified by the Registrar: —

(a) a statement showing the receipts and disbursements for the year;

(b) a profit and loss account ;

(c) a balance-sheet ; and

(d) such other statements as may be specified by the Registrar.

(2) Those statements shall be made up to 30th June and a copy of each shall be sent to the Registrar within fifteen days after the close of the cooperative year ending 30th June. After the Registrar has verified the statements and granted his audit certificate, the society shall publish such of the statements as he may direct in the manner specified by him.

35. List of members.

The society shall prepare a list of its members, with their addresses, as on the last day of each cooperative year. The list shall be kept open at the office of the society during office hours for inspection by any member of the society and it shall be the duty of the secretary to supply copies of the list to such of the members as desire to have them on payment of such fees as may be specified by the Board of Directors in this behalf.

36. Use of premises.

The society shall not use, or allow to be used, any premises used for its business, or any portion thereof, for any purpose other than such business or other co-operative activities.

37. Interpretation of bye-laws.

Should any doubt arise as to construction of the Act or the rules or any bye-law, the Board of Directors shall refer the same to the Registrar for advice and act according to his advice.

38. Society to keep copy of Act, rules and bye-laws.

The society shall keep a copy of the Co-operative Societies Act and of the rules governing the society and of its bye-laws open to inspection free of charge, at all reasonable times, at the registered address of the society.

II. *Amendments required in the light of the working group's recommendations.*

1. *Byelaw* 3(1)

Add at the end "and 'E' class shares to merchants, traders and commission agents who are engaged in business in industrial raw materials and products and have dealings with the society".

2. *Byelaw* 3(3)

First sentence :

For five per cent, read ten percent.

3. *Byelaw* 3(4)

Recast as below:

The value of a share may be paid either in a lump sum or in instalments. In the latter case, the total value of the share shall be paid in a period not exceeding 2 years.

4. *Add the following as byelaw* 6(6) *and* 6(7) *and renumber* 6(6) *and* 6(7) *as* 6(8) *and* 6(9).

6(6) Any entrepreneur who gives up production on his own account and seeks admission into the society with all his workers as members may be admitted as a member of the society along with his workers.

6(7) Merchants, traders and commission agents included in the approved list of the society, who are engaged in business in industrial raw material and products and have dealings with the society, may also be admitted as nominal members and shall be allotted 'E' class shares. Such members shall have no right to vote, to participate in the management of the society and shall have no share in the dividend or bonus distributed by the society.

5. *Byelaw* 7(1)

Insert 'Rs. 5,000 ' in the blank.

6. *Byelaw* 13(1)

Add the following as item (iii).

(iii) at 12 nP per rupee of wages paid to workers.

7. *Byelaw* 13(2)

Recast as follows :

The amount of subscription collected from a member when equal to the value of an 'A' class share will be converted with his consent into such share until the total number of shares held by a member amounts to........ shares, or credited to a Thrift Fund which may be appropriated towards the State Loan given to him towards his share capital.

8. *Byelaw* 21(1)

Recast as follows :

Management : Board of Directors.

(1) Subject to such resolutions as the general body may, from time to time, pass, the executive management of the affairs of the society shall vest in the Board of Directors consisting of nine members. The State Government, or any authority specified in this behalf by the State Government, shall nominate three directors on the Board in consultation with the society and the Co-operative Advisory Committee. If it is considered necessary that more than one-half of the Board should be nominated in order to run the society successfully, the Registrar may do so after obtaining the permission of Government. The tenure of such a Board shall not, however, exceed three years. The other members of the Board shall be elected by the general body from amongst the members on the following basis :—

(i) there shall be five directors from members holding 'A' class shares, and

(ii) there shall be one director from members holding 'C' class shares.

9. *Byelaw* 32(2) (a)

For 6%, read 6¼ per cent.

10. *Byelaw* 32(2)(*b*)

Recast as follows :

payment of bonus to members subject to a maximum 40% of the net profits.

11. *Byelaw* 32(4) & (5)

Insert the following as 32(4) and (5)

(4) A part of both dividend and bonus sanctioned to every member may with his consent be appropriated towards his share capital.

(5) Subsidy received from Government as foundation money to enable the society to have adequate borrowing power shall also be added to the Reserve Fund.

APPENDIX L

Model Byelaws for An Industrial Cooperative Service Society

I. As appended to the Report of the Committee on Co-operative law.

1. *Name, address and area of operations*

(1) The....................Industrial Co-operative Servicing Society Ltd. No...................is registered as a co-operative society under the Co-operative Societies Act ....Post Office...... ....in the Taluka of.......................in the ....District.

(2) Its area of operations shall be confined to the following villages:—

(i) ....

(ii) ....

(iii) ....

2. *Objects*

The objects of the society shall be :

(i) to promote the production of...............by its members.

(ii) to purchase and supply raw material, tools and equipment required by its members ;

(iii) to purchase or receive for sale the finished products from members and sell them to the best advantage ;

(iv) to borrow funds from members and non-members ;

(v) to grant advances to members on the security of the raw materials and finished products belonging to them ;

(vi) to obtain contracts from Government, public bodies or others and get them executed with the help of members ;

(vii) to impart or arrange to impart business and technical training to members ;

(viii) to purchase and own machinery for being hired out to members; and

(ix) to do all such things as are conducive to or incidental to the attainment of the said objects and social and material progress of the members.

3. *Capital*

(1) The capital of the society shall consist of......... shares of Rs. ....each.

(2) Fifty per cent of the value of shares shall be payable on allotment and the remainder in two equal half-yearly or annual instalments. Every member will, however, have the right to pay the full value of a share or shares on allotment.

(3) A share certificate bearing a distinctive number shall be issued for every share or shares allotted and fully paid-up.

4. *Liability.*

The liability of the members of the society for meeting the deficit in the assets of the society in the event of its being wound up shall be limited to ....times the subscribed capital.

5. *Application for admission.*

(1) Applications for admission as members and for allotment of shares shall be made to the Secretary in the form, if any, specified by the society for the purpose.

(2) Eevery such application shall be disposed of by the Board of Directors who shall have power to grant admission or to refuse it, after recording the reasons for such refusal:

Provided that any individual whose application for admission has been refused by the Board may appeal to the Registrar, and if the Registrar so directs, he shall be admitted as a member by the society on his paying the admission fee, if any, and on his purchasing at least one share.

6. *Membership*

(1) An individual above the age of eighteen years, who is competent to contract, is an artisan engaged in.............industry and resides within the area of operations referred to in bye law 1, shall be eligible for admission as a member of the society.

(2) No artisan who is already a member of another Industrial Co-operative servicing Society constituted for the same purpose as the society shall be admitted as a member of the society.

(3) No person shall be eligible for admission as a member of the society if he has applied to be adjudicated an insolvent, or is an undischarged insolvent, or has been sentenced for any offence other than an offence of a political character, or an offence not involving moral turpitude, such sentence not having been reversed or the offence pardoned :

Provided that this disqualification shall not apply where more than five years have elapsed from the date of the expiration of such sentence.

(4) Any member of the society shall cease to be a member if he incurs any of the disqualifications mentioned in clause (2) and clause (3), or changes his residence permanently from the area of operations of the society.

7. *Restrictions on holding of shares*

1. Every member shall purchase at least one share and no member other than the State Government shall hold more than such portion of the share capital as may exceed 1/5 of the issued share capital or Rs. whichever is less.

2. With the sanction of the Board of Directors, a member may, at any itme, increase the number of shares held by him so as not to exceed the limit laid down in clause (1).

8. *Withdrawal or resignation from membership*

1. No member shall be permitted to withdraw any of the shares held by him in the society, or to resign his membership of the society, within two years from the date on which he was admitted as a member :

Provided, however, that a member may be permitted to withdraw, or resign his membership, in exceptional circumstances and with the approval of the Registrar earlier than two years, but not earlier than one year from the date of his admission to membership.

2. After the period specified in clause (1) a member may withdraw any of his shares with the consent of the Board of Directors, or resign his membership :

Provided, firstly, that there are no debts due from him to the society and, secondly, that there are no debts due to the society in regard to which he has stood surety.

3. When a member resigns his membership he shall send a letter of resignation to the Secretary of the society and such resignation shall take effect from the date on which the resignation is accepted by the Board. The value of the shares allowed to be withdrawn, or the share capital of a member who has resigned his membership, shall be paid back to him with the dividend declared, if any. The total share capital withdrawn or returned in any one year shall not, however, exceed ten per cent. of the aggregate paid-up share capital of the society as it was on the 30th June, preceding. This limit shall cover all refunds of share capital except those made under bye-laws 9, 10 and 11.

9. *Repayment of shares on withdrawal*

Should a member cease to be eligible for membership either on account of his changing his residence permanently from the area of operations laid down in bye-law 1, or for any other reason mentioned in sub-clause (3) of bye-law 6, the Board of Directors shall remove his name from the list of members and shall pay back, within a reasonable period, to such member the share capital actually paid by him with the dividend declared, if any, after deducting therefrom the money, if any, due from him to the society either as principal debtor or as surety.

10. *Nomination of heir*

1. If a member dies, his membership shall *ipso facto* cease.

2. (*a*) Every member of the society may nominate a person or persons to whom in the event of his death, his share or interest in the capital of the society shall be transferred or the value thereof and any other money due to him from the society shall be paid. The number of persons so nominated, however, shall not exceed the number of shares held by the member. The member may from time to time revoke or vary such nomination. The nomination shall, in the event of his death, be given effect to by the Board of Directors provided that :—

(*i*) the nomination was signed by the deceased in the presence of at least two witnesses attesting the same ; and

(*ii*) the nomination has been registered in the books of the society kept for the purpose.

(*b*) In the event of there being no person nominated by the deceased member qualified in accordance with the bye-laws for membership of the society, the society shall transfer the share or interests of the deceased member to such person as may appear to the Board of Directors to be the heir or legal representative of the deceased within one month of the death of the deceased member :

Provided such heir or legal representative or nominee shall have been admitted by the Board of Directors as a member of the society.

(*c*) In the event of there being no person qualified to succeed under sub-clause (*a*) or (*b*) of this clause, or on the application of the nominee, heir or legal representative of the deceased member, the society shall pay to such nominee, heir or legal representative as the case may be, a sum representing the deceased member's share or interest at the time of his death ascertained in the manner prescribed in the rules :

Provided that nothing in this sub-clause shall prevent a minor or a person of unsound mind from acquiring by inheritence or otherwise, the share or interest of a deceased member in the society.

(*d*) Subject as aforesaid, the society may pay all other moneys due to the deceased member from the society to the person nominated by him in accordance with clause (2) (*a*) of this bye-law, or to such person as may appear to the Board of Directors to be the heir or legal representative of the deceased member, as the case may be.

11. *Expulsion of a member*

1. If a member deceives the society in any way or if his general conduct is such as to render his removal necessary in the interests of the society, it shall be open to the general body to expel such member, provided he has been given a reasonable opportunity of being heard.

2. The member so expelled will have a right of appeal to the Registrar against the decision of the general body within two months from the date of such decision. The order of the Registrar on the appeal shall be binding on both the society as well as the person aggrieved by the decision of the society.

3. A person who has ceased to be a member, shall be paid all moneys due to him from the society, after deducting therefrom any money due from him to the society and he shall be liable as provided in bye-law 4 for the debts due by the society as they stood on the date of cessation of membership for a period of two years from such date.

12. *Deposits*

Fixed deposits may, at the discretion of the Board of Directors be received from members or non-members:

Provided that deposits from members shall be given preference to deposits from non-members.

13. *Compulsory subscription*

1. It shall be competent for the society to collect subscriptions from members in the form of a deduction of —— per cent of the bonus payable to each.

2. The amount of subscription collected from a member, when equal to the value of a share, will be converted into such share until the total number of shares held by a member amounts to —— shares. No interested will be paid on the amount of subscription to the credit of a member.

14. *Other borrowings*

It shall be competent for the Board of Directors to borrow funds, otherwise than by way of deposits, either from members or from persons other than members, or from co-operative societies, provided that the rate of interest shall not, in any case, exceed —— per cent per annum

15. *Maximum borrowing limit*

The society shall not receive deposits and loans from members and non-members together in excess of eight times the paid-up share capital plus the reserve fund or of any other limit fixed by the Registrar.

16. *List of members for general body Meetings*

1. The Board of Directors shall maintain a list of members on the rolls of the society, who are qualified to vote at the general body meetings of the society and shall bring such list up-to-date within a fortnight before each meeting of the general body.

2. It shall be the duty of the secretary to supply copies of the list to such of the members as desire to have them, on payment of such fees as may be specified by the Board of Directors in this behalf.

3. No member shall be admitted during the fifteen days preceding the date fixed for any general meeting of the society at which office bearers are to be elected.

17. *Meetings of the general body*

1. The Board of Directors shall call at least once a year an annual general meeting of the general body of the society consisting of 'A' class members and such representatives of 'B' class members, who may be serving on the Board of Directors.

2. The Board of Directors may also at any time call a general meeting of the society for the conduct of its business and shall call such a meeting within one month after receipt of a requisition in writing of not less than one-fifth of the members or from the Registrar.

3. The quorum for a general body meeting shall be —— or one-fourth of the total number of members on the list at the time whichever is less.

18. *Notice of the Meetings of general body*

1. —— days notice shall ordinarily be given to members before a meeting of the general body is convened.

2. Notice for a general body meeting may be given to members in one or more of the following modes, namely—

(*i*) by affixing a copy of the notice for the meeting in some conspicuous place in the area of operations of the society and in the office of society ;

(*ii*) by circulation of the notice book and getting signatures of members in it; or

(*iii*) by sending the notice by post under certificate of posting.

19. *Conduct of general Meetings*

1. The president, when present, shall preside at the meetings of the general body. In his absence, the general body may choose a chairman from their number to preside at the meeting. Every member present shall have one and only one vote. All questions, except those relating to amendment of bye-laws of the society, shall be decided by a majority of votes of the members present and voting. When votes are equal, the chairman of the meeting shall have a second or casting vote.

2. Every amendment of the bye-laws shall be made only by a resolution passed by a two-thirds majority of the members present and voting, at a meeting of the general body of the society.

20. *Powers of the general body*

1. The ultimate authority in all matters relating to the administration of the society shall be the general body.

2. The general body shall not, however, interfere with the actions of the Board of Directors, or any officer of the society, performed in the exercise of powers conferred on them by the bye-laws.

3. The following among other matters, shall be dealt with by the general body :—

(i) the programme of activities for the ensuing year ;

(ii) the election and removal of the elected members of the Board of Directors ;

(iii) the approval of the annual budget of income and expenditure;

(iv) the annual report due to the Registrar;

(v) the Registrar's audit notes;

(vi) the amendment of bye-laws;

(vii) disposal of net profits; and

(viii) the expulsion of a member.

21. *Management: Board of Directors*

(1) Subject to such resolutions as the general body may, from time to time, pass, the executive management of the affairs of the society shall vest in the Board of Directors consisting of . . . . . members. The Board shall remain in office for a period of . . . .

(2) The services of the members of the Board shall be gratuitous, except as provided for in bye-law 33.

22. *Qualifications and disqualifications of Membership of Board*

(1) No person shall be eligible for election to the Board of Directors of the society, if he:—

(a) is a paid employee of the society or the financing bank to which the society is affiliated; or

(b) is in default to the society, or to any other society, in respect of any loan or loans taken by him or is a defaulter to the society or to any other society; or

(c) is interested directly or indirectly in any contract made with the society, or in any sale or purchase made by the society privately, or in any auction, or in any contract or transation of the society (other than investment and borrowing) involving financial interest, if the contract or transaction be subsisting, or if the contract, transaction, sale or purchase, be not completed.

(2) A member of the Board of Directors of the society shall cease to hold his office as such, if he incurs any of the disqualifications mentioned in clause (1) above.

23. *Term of office of the Board members*

(1) Each member of the Board shall continue in office, after the expiry of his term of office, untill another member is elected in his place. A retiring member of the Board shall be eligible for re-election.

(2) It shall be competent to the general body to remove, at any time any member elected by them to the Board and elect another in his place.

(3) Any member of the Board of Directors may, at any time, resign from his office by sending a letter of resignation to the Secretary of the society; but such resignation shall take effect only from the date on which it is accepted by the Board.

(4) Should a member of the Board of Directors absent himself from four consecutive meetings of the Board without its permission he shall cease to be a member of the Board.

(5) Interim vacancies of the members on the Board of directors shall be filled by co-option by the Board.

24. *Powers of the Board of Directors*

Amongst other things, the powers of the Board shall be:—

(i) to raise funds necessary for the purpose of carrying out the functions of the society in the form of deposits and loans on terms and conditions as they may determine;

(ii) to grant loans to members on the security of their raw material or finished products;

(iii) to arrange for the purchase or hire of tools, appliances, machinery etc., and supply them to the members;

(iv) to arrange for the proper stocking of the raw materials and finished products;

(v) to arrange for the sale of finished products purchased from or belonging to the members;

(vi) to admit members and allot shares and to approve transfer of shares;

(vii) to maintain such accounts and registers as are specified by the Registrar from time to time;

(viii) to incur such expenditure as may be necessary for the management of society with reference to the scale and within the budget allotment, sanctioned by the general body for each year;

(ix) to fix the rate of commission and other charges which the society shall get from members for handling their products;

(x) to arrange for the proper receipt and disbursement of all moneys, stores, stocks and property received or paid on behalf of the society;

(xi) to institute, defend or compromise legal proceedings;

(xii) to frame regulations (which shall be entered in the minute book of the society) for the conduct of the business of the society consistent with the Act, the rules and these byelaws, subject to the approval of the Registrar; and

(xiii) to do such other acts or transact such other business as is consistent with the objects of the society and as may be incidental to the administration of the society.

25. *Meetings of the Board*

The Board of Directors shall meet once in three months, or oftener if necessary, to conduct the affairs of the society. The quorum for a meeting of the Board shall be ———. All questions before the Board shall be decided by a majority of votes. If there is an equality of votes, the president or other presiding member shall have a second or casting vote. No member of the Board shall be present at a meeting of the Board when any matter in which he is personally interested is being discussed. In case of an urgency, where there may not be sufficient time to convene a meeting of the Board, the secretary may obtain orders of the Board by circulation of papers among the members. The decisions arrived at by circulation shall be placed before the next meeting of the Board for their information. Should a difference of opinion arise in the course of such circulation, the matter shall not be decided by circulation but shall be placed before the next meeting of the Board.

26. *President and Treasurer of the society*

The members of the Board of Directors shall elect from among themselves, a president and a treasurer.

27. *Duties of President, Treasurer and Secretary*:

(1) Subject to such resolutions as the Board of Directors may from time to time pass, the several officers ofthe Society shall have the powers mentioned below:

(a) the president shall have a general control over all the affairs of the society;

(b) the secretary, who shall be a paid officer appointed in the manner referred to under clause (2) of this byelaw, shall be responsible for the executive administration of the society subject to the control of the president, should the secretary require relief from work it shall be competent for the president to grant relief, making suitable arrangements for the conduct of work by one or more of the members of the Board of Directors;

(c) the secretary/president shall be the officer to sue or be sued on behalf of the society and all bonds in favour of the society shall be in the name of the secretary or president;

(d) the treasurer shall have the custody of all the properties of the society including cash.

28. *Receipts for amounts received*

Receipts shall be issued for all moneys paid to the society. For moneys paid by members, the receipts shall be signed by the secretary, or by any member of the office establishment whoever is selected by the Board of Directors to discharge this function. In the case of borrowings from non-members, or from other societies, the receipt or bond shall be executed by the secretary and at least two members of the Board of Directors of whom the president shall be one.

29. *Employees of the Society*

(1) The society shall not appoint any person as its paid officer or employee in any category of service, "unless" he possesses the qualifications and furnishes the security as the Registrar may, from time to time, determine for such category of service in the society or for the class of societies to which it belongs

(2) Ther society shall not retain in service any paid officer or employee if he does not acquire the qualification or furnish the security indicated in sub-clause (1) unless the Registrar relaxes the provisions of sub-clause (1) in his case.

30. *Loans to whom can be made*

Loans shall be granted only to members against the pledge of raw materials or finished products belonging to them. No member can, however, claim a loan as a matter of right. Applications for loans shall be dis posed of by the Board of Directors.

31. *Conditions of loans*

(1) Loans shall be made to members under byelaw 30 on the following conditions:—

(i) Loans against pledge of raw materials and finished products may be up to—— per cent of the value of the goods pledged subject to the condition that no member shall be indebted to the society for an amount exceeding Rs. .... without the permission of the Registrar.

(ii) No loans shall be made until the raw materials or finished products are deposited in the godowns of the society.

(iii) The produce pledged shall be insured against risk of burglary or fire at owners' cost to the full market value. The insurance policy shall be in the joint names of the society and the co-operative central bank to which the society is affiliated and the period of insurance shall correspond to the period of the loans, including extension, if any. It shall be competent to the society to pay the insurance premia on behalf of the borrower and recover the amount from him.

(iv) It shall be competent to the Board of Directors to require a borrower, at any time before the due date, to repay a portion of the loan advanced, or to pledge additional goods with the society for the loan outstanding within time fixed, if in their opinion, there is a fall, or likely to be a fall in the market value of the goods pledged and that the security is likely to prove inadequate for the loan.

(v) Loans shall be ordinarily made for a period of three months. The Board may, however, for proper reasons, extend this period by another three months.

(vi) Interest at........naye paise per rupee per month shall be charged on all advances.

(vii) The society shall not be responsible for any damage or deterioration caused to the goods while in its cutsody, but it shall take all necessary precautions to store the goods in such a way as not to make them liable to damage or deterioration.

(viii) It shall be competent to the society to appropriate the whole or any portion of the sale proceeds of the goods pledged towards any dues recoverable from the member in respect of a loan advanced or for any other liability.

(ix) The members shall execute an agreement incorporating the above conditions and such other conditions as may be laid down by the Board.

32. *Society's charge on member's shares etc.*

The society shall have a charge upon the paid-up share capital, deposit and any other money to the credit of a member, or a past or deceased member, in respect of any debt due to the society from such member or a past member or the estate of such deceased member; and the society may set off any sum credited or payable to a member or past or deceased member, or the estate of a deceased member, in , or towards, payment of any such debt.

33. *Disposal of net profits.*

(1) The society shall, out of its net profits in any year :

(a) transfer an amount not being less than twenty-five per cent to the reserve fund; and

(b) credit such amount, as may be directed by the Registrar from time to time to the 'Co-operative Education Fund' constituted under rule 19 of the rules under the Act.

(2) The balance of the net profits may be utilised for all or any of the following purposes, namely :

(a) payment of dividend to members on their paid-up capital at a rate not exceeding 6 per cent;

(b) payment of bonus to members in proportion to the volume of business done by them with the society;

(c) constitution of, or contribution to, one or more of the following funds; namely:—

(i) Bad Debt Fund

(ii) Depreciation Fund

(iii) Building Fund

(iv) Any other Fund approved by the General Body.

(d) donations of amounts not exceeding 7½ per cent of the net profit to a 'Common Good Fund' to be utilised for any of the purposes mentioned in Section (2) of the Charitable Endowments Act, 1890;

(e) payment to any member for any specific service rendered by him to the society, remunaration not exceeding.........per cent, and

(f) payment of bonus to employees of the society to the extent and in the manner determined by the general body.

(3) Any profits not appropriated in the manner aforesaid in any year, shall forthwith be added to the reserve fund.

34. *Losses when written off.*

If any sum belonging to the society is either stolen or otherwise lost and found irrecoverable, or if any loan due to the society is found otherwise irrecoverable either wholly or in part, it shall be open to the general body to write off such amount afterobtaining the sanction of the Registrar and of the central co-operative bank towhich the society is affiliated.

35. *Annual statements.*

The society shall prepare annually in such form as may be specified by the Registrar :—

(a) a statement showing the receipts and disbursements for the years;

(b) a profit and loss account ;

(c) a balance-sheet ; and

(d) such other statements as may be specified by the Registrar.

(2) These statements shall be made up to 30th June and a copy of each shall be sent to the Registrar within fifteen days after the close of the co-operative year ending 30th June After the Registrar has verified the statements and granted his audit certificate, the society shall publish such of the statements as he may direct in the manner specified by him.

36. *List of members*

The society shall prepare a list of its members, with their addresses, as on the last day of each co-operative year. The list shall be kept open at the office of the society during office hours for inspection by any member of the society and it shall be the duty of the secretary to supply copies of the list to such of the members as desire to have them on payment o such fees as may be specified by the Board of Directors in this behalf.

37. *Use of premises*

The society shall not use, or allow to be used, any premises used for its business, or any portion thereof for any purpose other than such business or other co-operative activities.

38. *Interpretation of byelaws*

Should any doubt arise as to constrcution of the Act or the rules or any byelaw, the Board of Directors shall refer the same to the Registrar for advice and act according to his advice.

39. *Society to keep copy of Act, rules and byelaws*

The society shall keep a copy of the Co-operative Societies Act and of the rules governing the society and of its bye-laws open to inspection free of charge, at all reasonable times, at the registered address of the society.

II. *Amendments required in the light of the working group's recommendations*

1. *Byelaw* 3(2)

Recast as follows :

(2) The value of a share may be paid either in a lumpsum or in instalments. In the latter case, the total value of the share shall be paid in a period not exceeding 2 years.

2. *Byelaw* 6(5)

Add the following as Byelaw 6(5):

(5) Any entrepreneur who seeks admission into the society with all his workers as members may be admitted as a member of the society along with his workers.

3 *Byelaw* 7(1)

Fill up the blank with "Rs. 5,000".

4. *Byelaw* 13(2)

Recast as follows :

(2) The amount of subscription collected from a member, when equal the value of a share, will be converted into such share until the total number of shares held by a member amounts to........shares, or credited to a Thrift Fund which may be appropriated towards the State Loan given to him towards his share capital. No interest will be paid on the amount of subscription to the credit of a member.

5. *Byelaw* 21(1)

Recast as follows :

Management : Board of Directors

Subject to such resolutions as the general body may, from to time, pass, the executive management of the affairs of the society shall vest in the Board of Directors, consisting of nine members. The State Government, or any authority specified in this behalf by the State Government, shall nominate three directors on the Board in consultation with the society and the Co-operative Advisory Committee. If it is considered necessary that more than 1/3rd of the Board should be nominated in order to run the society successfully, the Registrar may do so after obtaining the permission of Government. The tenure of such a Board shall not, however, exceed three years. The other members of the Board shall be elected by the general body from amongst the members on the following basis :—

(i) ....

(ii) ....

6. *Byelaw* 33(2)(a)

For 6 per cent read 6¼ per cent.

7. *Byelaw* 33(2)(b)

Recast as follows :

(b) payment of bonus to members in proportion to the volume of business done by them with the society, subject to a maximum of 40 per cent.

8. *Byelaw* 33(4) & (5)

Add the following as 33(4) and (5) :

(4) A part of both dividend and bonus sanctioned to every member may with his consent be appropriated towards his share capital.

(5) Subsidy received from Government as foundation money to enable the society to have adequate borrowing power shall also be added to the Reserve Fund.

APPENDIX M.

COST OF THE SCHEME RELATING TO AN APEXMARKETING SOCIETY

STATEMENT No. 1

Head Office—Recurring cost of staff

		Rs.	Rs.
Paid Secretary	1	1,200	14,400
Chief Accountant . . .	1	500	6,000
Superintendents	2	250	6,000
Clerk	6	150	10,800
Peons	6	100	7,200
			44,400

Technical Staff

Technical Assistant . . .	1	400	4,800
Technical Supervisors . .	2	200	4,800
Peons	3	100	3,600
			13,200

Research Section

Research Officer . . .	1	500	6,000
Economist	1	500	6,000
Statistician	1	400	4,800
Senior Inspector . . .	1	160	1,920
			18,720

T.A. and other Contingencies

Travelling allowance to staff and directors—1500x12 . .		18,000
Contingencies	1000	12,000
Rent for office godown . .	1000	12,000
		42,000

Total :	Office staff . .	44,400	
	Technical staff .	13,200	
	Research section .	18,720	
	T. A. & contingencies	42,000	
		118,320 or	1·20 lakhs.

STATEMENT No. 2

	Branches	Recurring cost	Cost of staff
	Office	Rs.	Rs.
Branch Manager	1	500	6,000
Head Accountant	1	200	2,400
Clerks	2	150	3,600
Typists	2	125	3,000
Peons	2	80	1,920
			16,920
	Business of Marketing Section		
Inspector	1	150	1,800
Technical Store-keeper in-charge of Materials	1	200	2,400
Head salesman	1	200	2,400
Assistant salesman	1	100	1,200
Accountant	1	150	1,800
Packers	3	80	2,800
			12,480
	Supervision staff		
Technician	1	300	3,600
Co-operative senior Inspector	1	150	1,800
Peons	2	80	1,920
			7,320
	Other contingencies		
Rent for office, godown and show room		600	7,200
Contingencies		100	1,200
T. A. to staff and members of the advisory committee		1,000	12,000
			20,400

Office staff	16,920	
Marketing section	12,480	
Supervision staff	7,320	
Other contingencies	20,400	
	57,120	or 0·57 lakh

Non-recurring cost—Equipment by way of furniture—Rs. 5,000 for each branch.

N.B.:—It is suggested that a Van may be provided for each branch and in that case the additional cost will amount to:

Non-recurring—cost of vans	Rs. 30,000
Recurring Pay and T. A. of Van Driver	1,500
Pay of cleaner	600
Cost of petrol	900
	Rs. 30,00

STATEMENT NO. 3

If all the branches are started in the 1st year itself

(Rs. in lakhs)

Year	Details	Non-recurring	Recurring
1st	Head Office—		
	Furniture and equipment . .	0·05	..
	Staff and contingencies . . .	..	1·20
	20 Branches—		
	Furniture	1·00	..
	Staff and contingencies (20x0·57 lakh)	..	11·40
		1·05	12·60
2nd	Head Office—		
	Staff and contingencies . . .	..	1·20
	Branches—		
	Staff and contingencies (80% of 11·40 lakhs)	..	9·12
		..	10·32
3rd	Head Office—		
	Staff and contingencies . .	..	1·2
	Branches—		
	Staff and contingencies (60% of 11·40 lakhs).	..	6·84
		..	8·04
4th	Head Office—		
	Staff and contingencies . . .	..	1·20
	Branches—		
	Staff and contingencies (40% of 11·40 lakhs).	..	4·56
		..	5·76
5th	Head Office—		
	Staff and contingencies . . .	..	1·20
	Branches—		
	Staff and contingencies (20% of 11·40 lakhs).	..	2·28
		..	3·48

Abstract	Non-recurring	Recurring
Head office for 5 years	0·05	6·00
Branches for 5 years	1·00	34·20
	1·05	40·20
1st year	11·40	
2nd year	9·12	
3rd year	6·84	
4th year	4·56	
5th year	2·28	
	34·20	

STATEMENT NO. 4

If the branches are started at 5 per year

(Rs. in lakhs)

Year	Details	Non-recurring	Recurring
		(Equipment)	(Staff and contingencies)
1st	Head Office	0·05	1·20
	5 branches (5 x 0·57)	0·25	2·85
		0·30	4·05
2nd	Head Office	..	1·20
	10 branches :		
	5 branches 80% of full cost . .	..	2·28
	5 branches full cost . . .	0·25	2·85
		0·25	6·33
3rd	Head Office	..	1·2
	15 branches :		
	5 branches 60% of full cost . .	..	1·71
	5 branches 80% of full cost . .	..	2·28
	5 branches full cost . . .	0·25	2·85
		0·25	8·04
4th	Head Office	..	1·2
	20 branches :		
	5 branches 40% of full cost . .	..	1·14
	5 branches 60% of full cost . .	..	1·71
	5 branches 80% of full cost . .	..	2·28
	5 branches full cost . . .	0·25	2·85
		0·25	9·18
5th	Head Office	..	1·20
	20 branches :		
	5 branches 20% of full cost . .	..	0·57
	5 branches 40% of full cost . .	..	1·14
	5 branches 60% of full cost . .	..	1·71
	5 branches 80% of full cost . .	..	2·28
		..	6·90
6th	Head Office—Nil	..	..
	20 branches :		
	5 branches—Nil	..	..
	5 branches 20 of full cost . .	..	0·57
	5 branches 40% of full cost . .	..	1·14
	5 branches 60% of full cost . .	..	1·71
		..	3·42

(Rs. in lakhs)

Year		Non-recurring	Recurring
7th	Head Office—Nil	..	..
	20 branches :		
	10 branches—Nil	..	..
	5 branches 20% of full cost	..	0·57
	5 branches 40% of full cost	..	1·14
		..	1·71
8th	Head Office—Nil	..	..
	20 branches :		
	15 branches—Nil	..	..
	5 branches 20% of full cost	..	0·57
		..	0·57

Abstract

	Non-recurring (Equipment)	Recurring (Staff and contingencies)
Head Office	0·05	6·00
Branches		
1st year	0·25	2·85
2nd tear	0·25	5·13
3rd year	0·25	6·84
4th year	0·25	7·98
5th year	..	5·70
6th year	..	3·42
7th year	..	1·71
8th year	..	0·57
	1·05	40·20

Expenditure year-wise for both Head Office and Branches.

Year	Non-rucurring	Recurring	Total
1st	0·30	4·05	4·35
2nd	0·25	6·33	6·58
3rd	0·25	8·04	8·27
4th	0·25	9·18	9·43
5th	..	6·90	6·90
6th	..	3·42	3·42
7th	..	1·71	1·71
8th	..	0·57	0·57
	1·05	40·20	41·25

STATEMENT No. 5

Additional cost if a van is provided for each brabnch

If the 20 branches are stared in the first year itself

(Rs. in lakhs)

Year		Non-recurring	Recurring
1st	Cost of the van for 20 branches—(20x 30,000) .	6·00	..
	Cost of the van staff and petrol charges— (20 x 30,000)	..	0·60
2nd	Cost of the van staff and petrol charges at 80% of full cost	..	0·48
3rd	Cost of the van staff and petrol charges at 60% of the full cost	..	0·36
4th	Cost of the van staff and petrol charges at 40% of full cost	..	0·24
5th	Cost of the van staff and petrol charges	..	0·12
		6·00	1·8c

Total cost including the van for 5 years

Head Office	0·05	6·10
Branches	7·00	36·00
	7·05	42·00

STATEMENT No. 6

Additional cost if a van is provided to each branch

If the branches are opened at the rate of 5 branches per year

(Rs. in lakhs)

Year		Non-recurring	Recurring
1st	Cost of van for 5 branches—(5 x 30,000) . . .	1·50	..
	Cost of van staff and petrol charges for 5 van full cost	..	0·15
2nd	Cost of van for 5 additional branches	1·50	..
	Cost of van staff and petrol charges for:—		
	5 vans supplied in the 1st year at 80% of full cost .	..	0·12
	5 vans supplied in the 2nd year at full cost . . .	..	0·15
			0·27
3rd	Cost of 5 vans for 5 additional branches	1·50	
	Cost of van staff and petrol charges : . . .	..	..
	For 5 vans supplied in the 1st year at 60% of full cost	..	0·19
	For 5 vans supplied in the 2nd year at 80% of full cost	..	0·12
	For 5 vans supplied in the 3rd year at full cost .	..	0·15
			0·36

		(Rs. in lakhs) Non-recurring	Recurring
4th	Cost of the fourth batch of 5 vans for 5 additional branches	1·50	
	Cost of vans staff and petrol charges :		..
	For 5 vans supplied in the 1st year at 40% of full cost	..	0·06
	For 5 vans supplied in the 2nd year at 60% of full cost	..	0·09
	For 5 vans supplied in the 3rd year at 80% of full cost	..	0·12
	For 5 vans supplied in the 4th year at full cost	..	0·15
			0·42
5th	Cost of van—		
	Cost of vans staff and petrol charges :		
	For 5 vans supplied in the 1st year at 20% of full cost	..	0·03
	For 5 vans supplied in the 2nd year at 40% of full cost	..	0·06
	For 5 vans supplied in the 3rd year at 6c% of full cost	..	0·09
	For 5 vans supplied in the 4th year at 80% of full cost	..	0·12
			0·30
6th	Cost of van staff and petrol charges :		
	For 5 vans supplied in the 2nd year at 20% of full cost	..	0·03
	For 5 vans supplied in the 3rd year at 40% of full cost	..	0·06
	For 5 vans supplied in the 4th year at 60% of full cost	..	0·09
			0·18
7th	Cost of van staff and petrol charges :		
	For 5 vans supplied in 3rd year at 20% of full cost	..	0·03
	For 5 vans supplied in the 4th year at 40 % of full cost	..	0·06
			0·09
8th	Cost of van staff and petrol charges :		
	For 5 vans supplied in the 4th year at 20% of full cost	..	0·03
			0·03
	TOTAL	6·00	1·80

STATEMENT No. 7

Total cost of Staff year-wise if the branches are opened at the rate of 5 branches per year with van equipment

(Rs. in lakhs)

Year		Non-recurring	Recurring	Total Recurring
1st	Head Office	0·05	1·20	
	Branches	1·75	3·00	
		1·80	4·20	4·20
2nd	Head Office	..	1·20	
	Branches	1·75	5·40	
		1·75	6·60	6·60
3rd	Head Office	..	1·20	
	Branches	1·75	7·20	
		1·75	8·40	8·40
4th	Head Office	..	1·20	
	Branches	1·75	8·40	
		1·75	9·60	9·60
5th	Head Office	..	1·20	
	Branches	..	6·00	
		..	7·20	7·20
6th	Head Office	..	..	
	Branches	..	3·60	
		..	3.60	3·60
7th	Head Office	..	..	
	Branches	..	1·80	
		..	1·80	1·80
8th	Head Office	..	..	
	Branches	..	0·60	
		..	0·60	0·60
	TOTAL	7·05	42·00	42·00

APPENDIX N

SYLLABUS FOR THE TRAINING OF OFFICERS AND SUPERVISORY STAFF OF INDUSTRIAL CO-OPERATIVES IN MADRAS

I. *Co-operative Law—Paper I.*

1. The Madras Co-operative Societies Act and Rules.

2. Relevant portions of the Indian Contract Act (first 75 sections), Sale of Goods Act and the Transfer of Property Act.

3. Information about weights and measures and control regulations.

II. *Co-operative Principles and Practice—Paper II.*

1. What is Co-operation—Principles of Co-operation—Difference between the working of a co-operative society and other forms of organisation such as joint stock companies, partnership firm, etc.

Cooperation as a measure of rural reconstruction in respect of agriculture and industries—concessions allowed to co-operative societies—Co-operation and State aid.

2. Objects, Organization and working of cooperative societies—How to organise a society—conditions necessary for registration of a society—application for registration.

General body—framing of bye-laws and their amendment—Managing Committee—office bearers—supervision and inspection.

3. Classification of societies—credit-non-credit-agricultural—non-agricultural.

Working of various types of societies—(i) Agricultural credit societies, (ii) non-agricultural credit societies, (iii) Multipurpose societies, (iv) Farming and Land Colonization societies, (v) Marketing societies, (vi) Milk supply societies, (vii) Consumers' societies, (viii) Housing societies, (ix) Weavers' cooperative societies, (x) Societies for Handicraftsmen and artisans, (xi) Other Industrial Co-operatives (village, small-scale and large), (xii) Labour contract societies, (xiii) Other miscellaneous types.

4. Central bodies and Federations—(i) District Central banks, (ii) Madras State Co-operative Bank, (iii) State Co-operative Marketing Society, (iv) Provincial Co-operative Union, (v) State Handloom Weavers' Co-operative Society.

III. *Co-operative Accounts and Secretarial Practice—Paper III.*

(i) Principles of single and double entry book-keeping—Maintenance of accounts of cooperative societies—various types of account books to be maintained—Principal and subsidiary books—their relative importance—journals—cash books—ledgers—stock registers, etc. Posting from subsidiary books to the ledger.

Cash and trade discounts—trading account—trial balance—profit and loss account—manufacturing and cash account—gross and net profit—Depreciation—different methods—Audit and its scope.

Preparation of monthly and annual statements of accounts—balance sheet.

2. Secretarial Practice—Rights and duties of secretary—Managing Committee and ordinary members—other office bearers—admission, resignation, dismissal of members—general procedure at meetings—taking down minutes—preparation of reports and other statements—maintenance of muster roll, records and registers—members register—shares register—loans register files of invoices and vouchers—general business correspondence etc.

IV. *Industrial Cooperation—Paper IV*

1. Main features of our rural economy—causes of decay of village industries.

Large scale, small scale and village industries (including cottage industries)—their definition and meaning—possibilities of developing cottage and small scale industries—their handicaps in the past and present—their place in national economy, subsidiary occupation—decentralization.

2. Importance of industrial cooperation—need for organisation for artisans and workmen—why cooperation most suited to them—need for balanced, decentralised economy and provision of increased and fuller employment opportunities—other advantages.

3. Industrial cooperatives in other countries—Christian Socialists and the Cooperative Workshops—Industrial Cooperatives in China—Industrial Cooperatives in Japan.

4. Objects, constitution and working of different types of Producers Cooperative Societies—(i) workshop society, (ii) society for artisans working at home, (iii) Labour contract society, (iv) Producer-cum-Consumer society, (v) agricultural producer-cum-industrial producer society, (vi) agricultural multipurpose society carrying on industrial activities, (vii) Transport society, etc.

5. Structure of Industrial Cooperation—Model by-laws primary producers society—District Industrial Cooperative Association—State Industrial Cooperative Association—State Financial Corporation, etc.

6. Organisation—factors to be considered—choice of industries to be organised cooperatively—factors influencing the choice—survival value—organisation of production whether in houses or in factories—purchase of raw material quantity—quality—budgeting—financing—difficulties of raising short-term, medium term and long term finance—sources—how the Government, the Reserve Bank of India, the State Financial Corporation and the Central cooperative banks can help—promotion of thrift—production techniques—use of latest processes—implements and machines—quality control—designs—internal technical supervision—standardisation—wage and price fixing of finished products.

Marketing the products through the State and District Industrial Cooperative Associations and consumers stores—Relation between primaries and Central organisation and terms of sale—depots—export—advertisement—exhibitions—shows and fairs.

7. Important Cottage Industries—textile-leather—tanning—fibre-food products, coir etc.

8. Industrial Policy of the Government of India and the State Government—objects and constitution of the various Boards—(i) All India Khad and Village Industries Board, (ii) All India Handloom Board, (iii) All India

andicrafts Board, (iv) Central Silk Board, (v) Central Coir Board, (vi) Small Scale Industries Board, (vii) Small Industries Service Institute, (viii) National Small Industries Corporation.

Experimentation and Research—and programmes of vairous institutions—Technical advice and instruction—Peripatetic and Stationary Schools—grant of stipends, scholarship, etc.

9. Financial assistance by the State—Schemes for the grant of loans and subsidies to hereditary craftsmen and others engaged in various cottage industries and to industrial societies—subsidies to staff and management—Government subscription to share capital of industrial co-operatives.

10. Industrial and Labour Laws—Important and relevant portions of Indian Factories Act—Payment of Wages Act, Workmen's Compensation Act and Maternity Benefit Act.

V. *Business Administration including Cost Accounting—Paper V*

I. (A) *Nature and Functions of Business Management* .

Appraising and outlook for an Industrial Cooperative-factors to be considered in appraising the outlook—Approach to forecasting problems—Importance of business cycles.

(B) *Policy Making:*

Sales policies: Products to be sold—terms and conditions of sale—quality price delivery—payment—packing and marketing—selection of customers—how to start business relations—sales appeals and promotion—current order offer—tender—indent trade references.

Salesmanship—qualifications of a good salesman.

Procurement: policies Product to be purchased or produced—correlating procurement with sales—selecting vendors—selection of general production process.

Personal Policies: Nature—new attitude towards personnel problems—selection—training—compensation climate of work—employee service—industrial relations.

Financial policies: Need for capital—current and fixed capital—effects of profit and loss on capital requirements—use of capital—sources of capital—protection of capital—distribution of earnings.

(C) *Organisation:*

Administrative organisation—need for organisation in growing business—organisation hierarchy in large concerns—factors to be considered in the establishment of an organisation.

Basic Departmentation: Ways of grouping activities typical patterns used in departmentation—grouping by product or service—territories—types of customers—process—functions. Use of organisation charts and manuals.

Authority Relationship : Line authority—functional authority-staff authority.

Delegation : Delegation of responsibility and authority.

Span of control: Limitations to an effective span of control—shortcoming of increase in the number of executives and levels of supervision—optimum span of control.

Managerial personnel—Appraisal—selection—development and compensation.

Coordination: Need for coordination—techniques of securing coordination

Communication in Management: Traits of good communication—forms and informal channels—follow up—standard indoctrination—explaining why? Consultative direction—links in the chain of command.

Control: Essential steps in any control process—setting standards—appraisal of performance—correction of deviations.

Motivation: Need—determinants of behaviour—factors guiding individual behaviour and reaction—primary incentives.

II. *Marketing and distribution :* Relation between production and distribution—meaning of 'distribution'—the distributors functions—definition of marketing—the economic, social and political forces behind marketing—channels of distribution—character and functions of retail trading—types of retail trading unit—the economic case of wholesale trading—wholesale distribution in practice—functionaries in wholesaling and their role in the distribution of natural products--manufactures and services--direct selling--choice of the channel—trends in distribution costs—high pressure distribution—definition of market—different kinds of markets—market reports and how to read them—market research and formulation of sales policy—price policy and practices—resale price and maintenance—trade association—risks in marketing and their control—financing of marketing activities—warehousing—types, organization and management.

Sale promotional Activities: In relation to dealers, salesmen and the public—choosing the dealer and relationship with the dealers—designing and package—sales contests—advertisement branding—different objectives and media of advertisement—the economics of advertising—production of publicity materials—forms of publicity.

The Sales Department: Organisational problems—the sales budget—the sales quota—control record—stock turnover.

The Salesmen: the psyhcology of selling—types of selling jobs and salesmenship involved—traits of good salesmen—knowledge of goods and customers—different types of customers—recruitment, selection and training of salesmen—incentive and assistance to salesmen—control of sales form—sale conventions and conferences—legal aspects of selling—aspect of social control in marketing.

III. *Higher Business Control :*

Elementary Cost Accounting : Common terms involved in cost accounting—basis of costing on cost—methods of allocating on cost wages—methods of charging raw materials and stores to various jobs—price fixing—brief principles of budgetary control—reconciliation of costing records with financial books.

State Controls of Business and Industry: A study of law to acquaint the students with a few fundamental legal doctrines which control business and industry.

The course of study relates to Contracts—Sale of Goods—Agenc Negotiable Instruments—and legal form of Association—Important provisi of the Madras Shops and Establishment Act of 1947—General Sales Tax 1939—Factories Act 1948—Workmen's Compensation Act—Industrial D putes Act 1947—Payment of Wages Act 1936—Trade Unions Act—Empl ees Provident Fund Act 1952—Employees State Insurance Act 1948—T Registration and Licensing of Industrial Undertakings Rules 1952—Collecti bargaining—Arbitration and Concilliation Councils—Tribunals.

Insurance and Control of Business Risks—The coverage available—t insurance business unit needs—type of company to use—some specific insu rance plans.

Managerial Techniques of Internal Control: The basic process of control

Control over: Policies—rate of operational organization—key personne wages and salaries—methods and power—capital expenditure—service depar ment line of products—Research and development—external relations—forei operations—demands on executive time—control of over-all performance.

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